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Appropriations Committee
November 09, 2009

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The Committee on Appropriations met at 1:30 p.m. on Monday, November 9, 2009, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on Agency 22, Agency 24, Agency 32, Agency 40, Agency 81, Agency 69, Agency 72, Agency 84, Agency 86, Agency 88, Agency 92, Agency 28, Agency 16, Agency 36, Agency 58, Agency 73, and Agency 59. Senators present: Lavon Heidemann, Chairperson; John Harms, Vice Chairperson; Tony Fulton; Tom Hansen; Heath Mello; Danielle Conrad; John Nelson; Jeremy Nordquist; and John Wightman. Senators absent: None. []

SENATOR HEIDEMANN: (recorder malfunction)...late and it took us a little bit of time to get the whole committee back together again. We're going to start with introductions and we'll do self-introductions and I'll start over on the right. Senator Jeremy Nordquist from Omaha will be joining us later. []

SENATOR HANSEN: I'm Tom Hansen from District 42, Lincoln County. []

SENATOR CONRAD: Danielle Conrad, north Lincoln, the 46th District. []

SENATOR WIGHTMAN: John Wightman, District 36, most of Dawson and Buffalo County. []

SANDY SOSTAD: This is Sandy Sostad, from the Fiscal Office. []

SENATOR HEIDEMANN: I am Lavon Heidemann, District 1. []

SENATOR HARMS: John Harms from the 48th Legislative District, Scottsbluff. []

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SENATOR NELSON: John Nelson, central Omaha, District 6. []

SENATOR FULTON: Tony Fulton, District 29, south Lincoln. []

SENATOR MELLO: Heath Mello, District 5, south Omaha and Bellevue. []

SENATOR HEIDEMANN: Our committee clerk to the left over there is Anne Fargen. The pages that we presently have are Katy and Justin. If you have things to hand out they will help you do that or anything else you might need. At this time we would like to remind you if you have cell phones, to please shut them off as not to be disruptive later. Testifier sheets are on the table or near the back doors. Please fill them out completely and put them in on a box on the table when you testify. At the beginning of the testimony, please state and spell your name. We will remind you of that if you don't do it because we need it for the transcribers that are following. Nontestifier sheets near the back doors. If you do not want to testify but would like to record your support or opposition. Only need to fill this out if you will not be publicly testifying. If you have printed materials to distribute, please give them to the page at the beginning of the testimony. We need 12 copies. Please keep your testimony concise and on topic, under five minutes would be appreciated. We also got some special things that we do because of the Special Session. We're in a little bit of a scrunch time here. We normally kind of just take as much time as we have to but because of the time constraints that we're under, we are using the light system. You will see it when you come up and testify. If the green light is on, you're good to go. For principal introducers, that's up to ten minutes, depending on how we're running. When the yellow light comes on, you will have approximately a minute before the red light comes on and at that time we'd ask that you please kind of wrap it up and finish your testimony. Also after the principal introducer, if I see that there's a whole bunch of people that are going to want to testify, I'm going to take a show of hands. And it depends on how it's running, you might have anywhere from two to five minutes. If there's only one, we probably would allow five. If there's

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going to be four or five people testifying, you might only have two or three minutes. We're not trying to cut it short, but by the time you testify and the committee asks questions, it gets to be a rather lengthy process that we're trying to keep in a short time frame, so. I think that's that. So with that, we will start the public hearing on Agency 22. At this time I also want to state that we've got numerous letters on all the agencies that we are going to deal with this afternoon and we will put them in public record as fit. Welcome. [AGENCY 22]

ANN FROHMAN: (Exhibit 1) Thank you, Mr. Chair and members of the committee. My name is Ann Frohman, that's spelled A-n-n, F, as in Frank, r-o-h-m-a-n, and I'm the director of insurance, here to testify today essentially to affirm that the department has the ability to share in the sacrifices that are before Nebraska with respect to its shortfall. Although the department is a cash funded agency, we also are cognizant of the ability to make cuts with respect to our budgets as are requested by other agencies. And I believe we can do that in our agency and still continue to meet our responsibilities that have been brought, provided by the Legislature. And just in brief I want to mention that the insurance department, for those of you that aren't all that familiar with the work that we do, we have kind of a threefold responsibility. The first is to resolve the insurance challenges that face Nebraskans on a daily basis. The second is with respect to the solvency and financial oversight of insurance companies that we have a large responsibility in the state as well as nationwide. The third is in the area of financial accreditation. Accreditation is provided by the National Association of Insurance Commissioners. That is a critical component for the Department of Insurance to pass on a regular basis because not only do we need that to recruit insurance companies which help bring jobs that benefit our economy, but it also is necessary for those insurance companies that are currently located in our states so that they can continue to be vibrant in our state and not have to leave the state and go to an accredited state and take those jobs with them. So that's...with that in mind, we tried to keep those factors at the forefront when we looked at how we make some cuts and we can do them fairly prudently, I think, meeting these responsibilities. We look at operational expenditures

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and think we can meet the 2.5 and 5 percent across the board by doing a couple of things. The first thing is on the 2.5, we're looking at some vacancies that we have currently and we're going to delete essentially four of the vacancies that we have. And those are two in the financial examiner area, one is an administrative support position, and one is an insurance fraud investigator. That gets us through the first challenge of our first fiscal year. The second fiscal year we're looking at an additional change in the way we do workflows and processes in our financial exam area. We are going to take an examination that is currently outsourced and we're going to bring that inhouse and we think we can do that exam with an expenditure savings of \$250,000. So if you rolled the benefits of the first year forward, we think we will be able to meet those challenges and come up with 2.5 and the 5 percent savings. And that's it, in a nutshell. So I'm happy to answer any questions. [AGENCY 22]

SENATOR HEIDEMANN: Thank you for keeping it brief. There's a lot of good information. I appreciate how you laid it out. That really helps us out to understand how you're going to deal with the cuts. Are there any questions? Senator Mello. [AGENCY 22]

SENATOR MELLO: Thank you, Mr. Chairman and thank you Director Frohman for your testimony. Only one real question I have is, how much currently is in the Department of Insurance cash fund? [AGENCY 22]

ANN FROHMAN: I think currently we're looking at about \$16-17 million. [AGENCY 22]

SENATOR MELLO: Okay. And then the Governor's proposal is to take \$4 million out of that \$16-17 million? [AGENCY 22]

ANN FROHMAN: That's correct, a \$2 million sweep twice, yes. [AGENCY 22]

SENATOR MELLO: How much will be in the cash fund or how much is added to the

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cash fund on a yearly basis? [AGENCY 22]

ANN FROHMAN: It ebbs and flows because that is our operational account. We bring in revenues, we pay refunds, so it's kind of a moving target and I'd have to go back and try to give you a snapshot. But I think essentially the \$16-17 million is probably on the high end of it. We maybe float down a little bit on that. [AGENCY 22]

SENATOR MELLO: Do you see a yearly surplus, so to speak, with the money you bring in and the money you expend? [AGENCY 22]

ANN FROHMAN: I think given the \$2 million sweep that we do, that's in addition to the regular annual withdrawals. I think that is a thoughtful amount that can allow us to continue to operate without issues. [AGENCY 22]

SENATOR MELLO: You don't...do you think there's more funding that could be, so to speak, transferred out of that fund? [AGENCY 22]

ANN FROHMAN: I don't think necessarily, probably right now, but maybe down the road there could be. [AGENCY 22]

SENATOR MELLO: Okay. All right. Thank you. [AGENCY 22]

SENATOR HEIDEMANN: Any other questions? Seeing none. Thank you. [AGENCY 22]

ANN FROHMAN: You're welcome. [AGENCY 22]

SENATOR HEIDEMANN: Is anyone else wishing to testify on Agency 22? Seeing none, we will close the public hearing on Agency 22 and open up the public hearing on Agency 24, the Department of Motor Vehicles. Welcome. [AGENCY 22]

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BEVERLY NETH: (Exhibit 2) Thank you. Good afternoon, Chairman Heidemann and members of the Appropriations Committee, I am Beverly Neth, B-e-v-e-r-l-y N-e-t-h, director of the Department of Motor Vehicles. I'm here today to support Governor Heineman's recommended across the board reductions, fund transfer, and reappropriation to recapture relating to the Department of Motor Vehicles 2009-2011 biennium budget. This level of funding will allow the DMV to meet its directive to ensure the safety of Nebraska's citizens as they travel the state's roadways. A transfer from the Department of Motor Vehicle's cash fund to the General Fund is a mechanism that has been used by this Legislature six times in my ten years as the Director of the Department of Motor Vehicles. The proposed cash transfer will not affect DMV operations. The recommended lapse of the DMV's reappropriation will also not detrimentally affect DMV operations, as the DMV did not incorporate the use of those funds into its mainline budget. Finally, the across the board reductions will be met by freezing two existing vacancies, adjusting health insurance budget, reducing travel expenditures, eliminating dues and cutting the agency's operational budget, primarily in the Information Technology Division. Thank you for your time today. I'll be happy to answer any questions you might have. [AGENCY 24]

SENATOR HEIDEMANN: Thank you. Are there any questions? Senator Mello.
[AGENCY 24]

SENATOR MELLO: Thank you, Chairman Heidemann and thank you Director Neth. Actually I got an e-mail from a county government employee that asked some...I was asking and put out a call for budget cutting suggestions or ideas to find ways to save money and they brought up a couple issues that were specifically to your department that you might be able to just provide some feedback on it, whether or not we might be looking to do this or might not. One was discussing the alphanumeric plates for all counties and how counties specific plates actually have an increased cost compared to not allowing us to share plates across county lines. Is that something that you could shed a little more light on if there is actual more cost associated with that instead of

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doing cross county plates? [AGENCY 24]

BEVERLY NETH: Well, when the Legislature made the decision to move to the alphanumeric plates for the three largest counties and then made it optional for counties over 100,000, the concept behind it, that was really brought forward by those three large counties, Douglas County, Lancaster County and Sarpy County. The idea being that with an alphanumeric plate, a sort of a generic plate if you will, that those counties could transfer inventory when you came to the end of a plate cycle. And what we did see in that first plate cycle, and as we come to the end of this plate cycle, is that there was an opportunity for those counties to transfer inventory. We did that, as a matter of fact, transferred from some inventory. I think it was out of Douglas County into Lancaster County. So that did...what was projected did come to fruition. So when you have that opportunity what you're not doing is, you're not relying upon all kinds of preprinted inventory that's being stored in a county specific environment. So where we have the other 90 counties that have a level of inventory associated with them, primarily because they have a specific county number on them, you don't have that opportunity. What we've done, historically, though, is we track very closely plate inventory. So we're very careful that when we're coming to the end of a plate cycle that we're not allowing counties to reorder too many plates. We figure into the budget about a...I think it's a 1 to 2 percent waste that would be unsold inventory that may remain in the counties. There could be that level of...that you could reduce if you're allowed to transfer those. But at this point, it's not something that the department's moving forward with. You may remember Dakota County, the county commissioners in that county did vote earlier this year to move to alphanumeric. I think a week after the county commissioners took that vote there were recalls under way for all those commissioners. (Laughter) And so it is an emotionally charged issue for most citizens. And so there might be an opportunity for some savings, but we do our utmost to control that inventory as we pay for that supply and we want to make sure that we're not wasting taxpayers money. [AGENCY 24]

SENATOR MELLO: Okay. The second idea, so to speak, or question about looking for

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savings was moving Nebraska maybe to a ten-year license plate. The e-mail said that Illinois recently went to an external plate. After ten years decided that new plates were needed and could issue a new set then. Any thoughts about maybe extending the length or lifetime of our license plates? [AGENCY 24]

BEVERLY NETH: We did make that change. The Legislature made a change in, I believe it was 2005, we moved to our first six-year license plate. We had, historically, had a three-year plate cycle in Nebraska. We moved to six years and 2011 will be the first plate reissue cycle. As you move out farther in plates, you have a couple of dynamics really that come into play. The vendor for the most part warranties the graphic material, the sheeting to last ten years and so you have...you're on the outside of your warranty period. You also have, what we've seen historically is, the farther you get away from that first reissuance the lower your revenue becomes. So you have a generally kind of an off cycle every year. Little farther down it becomes a little easier to avoid registration compliance if you're not redesigning plates. So every year that...when we come out with a new plate cycle, we see an upturn in registration revenues. As you know, those revenues go back to...for the most part, go back to support local government and schools. So it's kind of a balancing act, really. [AGENCY 24]

SENATOR MELLO: Okay. Thank you. [AGENCY 24]

BEVERLY NETH: Um-hum. [AGENCY 24]

SENATOR HEIDEMANN: Senator Fulton. [AGENCY 24]

SENATOR FULTON: Thank you, Mr. Chairman. Thank you, Director Neth. This motor vehicle cash fund, you say has been accessed six years out of the ten years of service that you have afforded the state. I don't know if this is quickly answerable, but it seems to me that if we're dipping into that fund often that there's reason and that reason would be because it has a high cash balance. So could you comment as to why that cash

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balance is such that it can be accessed that many times? [AGENCY 24]

BEVERLY NETH: Well, there are....certainly there is a lapse of savings that whenever we've ended, my ten years here as director, when we've ended each biennium we have lapse money back to that account. As Director Frohman said, it is our cash account so we are a 100 percent cash funded agency. The balance...there are only very few fees that the DMV collects that are kept solely within the DMV. As a general rule, fees are split between the DMV and the counties receive many of the revenues as well as the General Fund so there are fees that go to support the General Fund. What we've used that cash fund in the past really to help us support our strategic goals. We've used it and identified it as, one time purchases for IT equipment. As we go forward one of the bigger expenditures we're looking at in the Department of Motor Vehicles is the replacement of the vehicle titling registration system. That system is roughly 20 years old. It's certainly due for a technology upgrade and has a multimillion, probably tens of million dollar price tag associated with. You might know that the DMV's cash funds are not activity based. When the DMV was moved to a cash fund agency, and I'll probably have to defer to Sandy for the year that happened because it was prior to me coming here, sometime in the early '90s, the policy was determined that they would decide how much money was needed to fund the DMV and then that amount of money was spread out among the various activities associated with the fee and the DMV. But everything we do has a fee associated with it. [AGENCY 24]

SENATOR FULTON: All right. Thank you. [AGENCY 24]

SENATOR HEIDEMANN: Senator Hansen. [AGENCY 24]

SENATOR HANSEN: Thank you. Thank you, Director Neth. I have a couple questions. The first one in your testimony you said down at the bottom, the cutting agency's operational budget mainly by the Information Technology Division. Can you expand on that, what that means? [AGENCY 24]

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BEVERLY NETH: Yeah, we've had a couple of changes last year. We were granted the authority to move all the motor vehicle titling registration processes into one county office, that being the county treasurer. We moved some, gosh, I think, about 65 counties that had services both in the county clerk and the county treasurer. In that environment we had a duplication of equipment in both of those environments, computers, printers. We were able to, to...not always move a one-for-one. In many places we were able to actually eliminate equipment and allow the treasurer to do the same functions, the titling and registration with the equipment that was available there. So we've seen some equipment savings, hardware savings on that side. We've also had the adoption of some of our maintenance costs into our retainer that we pay on an annual basis to the CIO's office and so we had some reduced costs in that area as well. [AGENCY 24]

SENATOR HANSEN: Okay. Just a comment on the...not necessarily the alphanumeric plates, that wouldn't bother me but if we're going to a longer cycle, especially in the ag community, I'm sure in the commercial community too, I'm not sure what that material or those are made out of but sometimes they don't last much more than six months rather than six years. So whatever that material is we need to look at it, especially if we're going to a longer cycle. And I would think that the elimination of a front license plate would be a very logical thing to do too. Just have them on the back, we can keep them on the back, but we can't keep them on the front. [AGENCY 24]

BEVERLY NETH: There's a...I can speak to the plate material. We make license plates out of aluminum composite material. Now we move from steel to aluminum so that material could be more recyclable by the end user of the plate. We are implementing or returning to a rim around the plate which we understand will make the plate stronger, more durable. I don't know all that much about tension in steel but apparently that will help. So we think we'll get some more durability out of those plates but I do recognize in the ag community that where you're hitching up a trailer, or those kinds of things, there's damage to that plate, fairly soon after the plates are there, so. [AGENCY 24]

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SENATOR HANSEN: Yes, fairly soon. It doesn't seem like a very resilient type of material, tears easily and...but it is a problem and because we don't want to be running without that front plate, the logical solution to that would be to eliminate the front plate, so. [AGENCY 24]

BEVERLY NETH: That bill has been introduced out of ten of ten years I've been here as well, so certainly is a... [AGENCY 24]

SENATOR HANSEN: We'll probably revisit it. [AGENCY 24]

BEVERLY NETH: ...is a conversation. [AGENCY 24]

SENATOR HANSEN: Thank you. [AGENCY 24]

SENATOR HEIDEMANN: Any other questions? Seeing none. Thank you. [AGENCY 24]

BEVERLY NETH: Thank you. [AGENCY 24]

SENATOR HEIDEMANN: Is anyone else wishing to testify on Agency 24? Seeing none. We will close the public hearing on Agency 24 and open up the public hearing on Agency 32, the Board of Educational Lands and Funds. Welcome. [AGENCY 24]

CINDY KEHLING: Good afternoon. My name is Cindy Kehling, I'm the finance manager for the Board of Educational Lands and Funds. That's spelled C-i-n-d-y K-e-h-l-i-n-g. Our director, Dick Lablonk, or Lablonk, sorry, Endicott was attending the wind conference in Kearney today and tomorrow so he's unable to be here, so I'm here on his behalf. We are pursuing an aggressive format for wind energy on school lands and so he thought it was important to be there. We accept the recommendation that has been made and, as you know, we aren't totally cash funded. We have our own building,

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it's over 20 years old now, and there are some items that need to be redone on the building. We're going to furlough those until later. We have windows that are leaking. We've replaced the worst ones. We will not replace the rest. There are other items. We have eliminated four positions in the last 20 years which is nearly 20 percent of our personnel. So we do have a person that is retiring at the end of this fiscal year. We're going to look at that position to see whether that's a position we can do without. I...we will just furlough anything we can possible can to make this work. [AGENCY 32]

SENATOR HEIDEMANN: I appreciate you coming in today and giving us the information and give us an opportunity to ask a few questions, if we have them. Looks like we're going to be kind. [AGENCY 32]

CINDY KEHLING: Well, thank you. (Laughter) [AGENCY 32]

SENATOR HEIDEMANN: Thank you for coming in today. Is anyone else wishing to testify on Agency 32? Seeing none, we will close the public hearing on Agency 32 and open up the public hearing on Agency 40, Motor Vehicle Industry Licensing Board. [AGENCY 32]

WILLIAM JACKSON: Good afternoon. My name is William Jackson, J-a-c-k-s-o-n. I'm the executive director with the Motor Vehicle Industry Licensing Board. The board is...licenses all the car dealers, used cars, new cars, anything from a motorcycle to a semi-tractor. We're totally funded by dealer fees and sales people fees, manufacturers, and etcetera. As you well know, the economy has affected most all agencies but no more than the auto industry as of late. Years ago we weren't too concerned about what the reserve fund was because we always had extra money. Those days are gone because the expenses have gone up but the amount of fees that we collect have gone down. And especially in the last three years, they've gone down significantly. We've lost quite a few dealers, lots of sales people. What's going to happen this year, I don't know. The board has adjusted fees. Last year...we take in 90 percent of our money between

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November and December because that's when we renew all those license fees and that's what we're in the process of doing that as we speak. With the amount of dealers that we have and the amount of dealers that have told us they're not renewing, I don't what we're going to have as far as an income. I could tell you a year ago. The first of November I looked at our reserve account and there's \$20,000 there and it would been about two weeks before we were broke. I had an investigator...out of the five investigators, I had a investigator take a different job last November. I did list the job, had almost 100 applications. I waited until after the first of the year to look at our funds and I knew that if I hired him we wouldn't have enough money to finish the year. Even though we were budgeted, the budget says we can spend this money, but like anybody else who gets a new checkbook, just because you have checks doesn't mean that there's any money in the bank. So we pay an extreme, close attention to what our reserve account is. By not hiring that investigator I did both...I've been doing both jobs, Omaha investigator and the director. I work in Omaha so that's...but we do need that investigator. Without that investigator we now had, November 1, approximately \$90,00 which we made up in about six weeks worth before we would go broke. I did try to figure out how much money we were going to bring in but that's an unknown. I don't know how many dealers we're going to have. Cutting my budget, it's already been done by the economy. But transferring out of our reserve account in the next two years could be drastic to us. I do need the fifth investigator and I'll tell you quite simply why. Number one, we don't have the fifth investigator. I had another investigator three weeks ago, suffered a heart attack, he's been with the agency for over 30 years. He's built up sick leave. He's at Madonna now trying to recover. He has sick leave where we will pay him through August of next year and at which time his retirement would be about eight weeks and would have to be paid out of our fund also. So we're already short. My western Nebraska investigator had herniated disk surgery a couple of weeks ago. He's out for four to six weeks. As of this morning I had two investigators, one's on vacation. It's a very hardship. The fact that we have less dealerships, does not necessarily we have less work. The investigators handle all the consumers complaints, they do all the insight inspections. Matter of fact, economic times the way they are, the complaints

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increase. Dealers, what I say, get a little more creative. I have figures and everything for anybody that might want to see them. I just wanted to lay this out and ask that the committee consider, because of the extraordinary circumstances, that not take any, transfer any funds out of our reserve account. [AGENCY 40]

SENATOR HEIDEMANN: Thank you for coming in today. Senator Wightman. [AGENCY 40]

SENATOR WIGHTMAN: Thank you, Mr. Chairman, Thank you, Director Jackson. Can you give us an idea about what your cash fund is at the present time? What your annual revenues and expenses are? [AGENCY 40]

WILLIAM JACKSON: Sure. As of the end of June this year, again, I want to mention that I did not have that fifth investigator. We did...we cut back on mileage on the other investigators cars. We did a lot of things to cut our costs so that we could maintain reserve. We spent last year \$618,000 and we took in \$662,000. That gave us...well, for cash reserve back then was \$260,000. The reserve...I wanted to show you the reserve, here it is. Reserve on November 1. Again, even though we start July 1, we don't get our money until November-December. So November 1 we had a balance of \$93,000 and we spend approximately \$55,000 to \$60,000 a month, so that tells you we're about six weeks away from being broke. Again, without that reserve, I don't know what we're going to take in. [AGENCY 40]

SENATOR WIGHTMAN: Can you tell us percentagewise about how much your dealerships, number of dealerships across the pay are down? [AGENCY 40]

WILLIAM JACKSON: Yep. In...well, yeah, let's see, '06, '07...'06 and '07 we had 2153 licensed dealers. And in June of '08 we had 2114 which was approximately 40. In June of '09 we had 2068. Now that's just the dealer. What happens is with all the other licenses that the sales peoples licenses, and such and so forth because we have a

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large number of sales people...we were at all the licenses in '06, yeah here we go, the total number of licenses, here we go, in '97 was 11,708. And in '08 it was 11,500. And in '09 it was 10,500. We lost 1,000 licenses. Now those aren't all dealer licenses. Those are finance companies, wrecker salvage, other. As you can see.. [AGENCY 40]

SENATOR WIGHTMAN: Well the big drop has come in the last year. [AGENCY 40]

WILLIAM JACKSON: A huge drop last year and I don't know what's going to happen this year. [AGENCY 40]

SENATOR WIGHTMAN: Thank you. [AGENCY 40]

SENATOR HEIDEMANN: Are there any other questions? Seeing none. Thank you. [AGENCY 40]

WILLIAM JACKSON: Thank you for your time. I hate to ask about that. Thanks again. [AGENCY 40]

SENATOR HEIDEMANN: Welcome. [AGENCY 40]

LOY TODD: Mr. Chairman and members of the committee, my name is Loy Todd, that's L-o-y T-o-d-d. And I'm the president and legal counsel for the Nebraska New Car and Truck Dealers Association and as you've heard, this agency took a hit in advance of everybody else taking a hit and the economy has been that way for my car dealers. In response to that, last year we came in and supported an increase in the fees that could be charged by the agency. And I want this committee to know, even though it's outside of the call and not part of what you're looking at, our industry recognizes the value of the licensing board and the need to be regulated and they solve so many problems and eliminate so many lawsuits that it's vital to our industry and we certainly understand if fees have to be increased again. However, as you heard, as lean as this agency is,

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there just isn't any room at this point in time. And when there...you know you're not talking about millions of reserve you're talking about a few weeks of reserve and they've already reduced their staff from five investigators to three. You know, not everybody has the opportunity to sacrifice equally and our industry will do our share. We're standing there ready to step up but as you know...I've lost 30 dealerships already this year because of the government action. I would anticipate I'll probably see that many more go away. It's devastation. We're getting better slowly and we're coming back but a little patience would be appreciated. Thank you. [AGENCY 40]

SENATOR HEIDEMANN: Senator Conrad. [AGENCY 40]

SENATOR CONRAD: Thank you, Mr. Todd, for being here and thank you for illustrating the point that I've been trying to make throughout the course of these hearings that one thing I'm concerned about with the Governor's proposal is that right now where we stand from the process perspective, we're still in balance for the biennium but we have some work to do to meet our targets to back there. And what I'm worried about is that if we were to adopt all of the Governor's proposals, in particular according to the appropriation piece, that we go from a projection problem to a cash flow problem in some agencies as you've indicated. And just to be clear, is that what would happen in the case of this agency is we were to adopt the reappropriation piece? [AGENCY 40]

LOY TODD: Senator, I am not a real big picture guy, so, but I can tell you on this little narrow agency... [AGENCY 40]

SENATOR CONRAD: In relation to this agency. [AGENCY 40]

LOY TODD: ...that is certainly the situation with the licensing board. [AGENCY 40]

SENATOR CONRAD: And I can tell you that this agency wouldn't be alone in that if all of those were adopted across the board without any tweaks by this committee, but I

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appreciate your candor. [AGENCY 40]

LOY TODD: Thank you. [AGENCY 40]

SENATOR HEIDEMANN: Senator Mello. [AGENCY 40]

SENATOR MELLO: Thank you, Mr. Chairman and thank you, Mr. Todd for your testimony. It was discussed, both Mr. Jackson before you and then yourself, about the adjusting of fees. How big an increase did the licensing board increase their fees last year, do you know? [AGENCY 40]

LOY TODD: I don't know. It wasn't...it really wasn't a great amount for any one type of license. I mean when you spread it over, you know...and again, it's an agency. We're talking about really small numbers. So, you know, a few dollars is, I hate to ever say that doesn't mean anything, but, you know, a \$5, \$10, \$15 increase is just not that much. But I'm sorry, I can't answer your question. [AGENCY 40]

SENATOR MELLO: Do you think if we, do you think if we accepted the Governor's proposal that this licensing board would be in a position to have to increase their fees again to cover operating expenses? [AGENCY 40]

LOY TODD: Oh, there's no question about that. I think that's going to happen anyhow. And we stand ready to absorb that to the extent as possible. [AGENCY 40]

SENATOR MELLO: Okay. All right. Thank you. [AGENCY 40]

SENATOR HEIDEMANN: Senator Nelson. [AGENCY 40]

SENATOR NELSON: Thank you, Mr. Todd. Thank you, Mr. Chairman. Does every salesman, regardless of tenure or length of time, pay the same amount each year for a

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license? [AGENCY 40]

LOY TODD: Yes. [AGENCY 40]

SENATOR NELSON: Do you know about what it amounts to? [AGENCY 40]

LOY TODD: It's around the \$20 range, \$20-\$25. [AGENCY 40]

SENATOR NELSON: Twenty dollars. How about the dealers? [AGENCY 40]

LOY TODD: That's around \$400. [AGENCY 40]

SENATOR NELSON: Four hundred dollars. All right. No variation as to size or anything? It's just a flat amount. [AGENCY 40]

LOY TODD: No, because any license allows you to do any part of the business. You can be as big or small as you want to be with the same license. There's also manufacturers license. [AGENCY 40]

SENATOR NELSON: All right. Thank you. [AGENCY 40]

SENATOR HEIDEMANN: Senator Fulton. [AGENCY 40]

SENATOR FULTON: Thank you, Mr. Chairman. Mr. Todd, the dealerships that you lost, you indicated there were 20 that were lost. [AGENCY 40]

LOY TODD: Thirty. [AGENCY 40]

SENATOR FULTON: Thirty. Were those a result of the GM deal and shutdowns and so part one and part two, are there going to be more as a result of that? Or are you

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referring to just what has happened in the economy generally? [AGENCY 40]

LOY TODD: The number I was referring to, Senator, were the numbers cut through the bankruptcies of Chrysler and GM. [AGENCY 40]

SENATOR FULTON: Okay. [AGENCY 40]

LOY TODD: As far as dealers that went...my members that went out of business, there were only a couple over the last two years. I anticipate there will be more this year because the second shoe hasn't dropped yet in the GM, because they're winding down dealers and you're going to see some real activity in October or November of next year because that's the final phasing of the wind-down. So it's going down some more. [AGENCY 40]

SENATOR FULTON: Okay. All right. Thank you. [AGENCY 40]

SENATOR HEIDEMANN: Do you have a question? I think that's it. [AGENCY 40]

LOY TODD: Thank you. [AGENCY 40]

SENATOR HEIDEMANN: Thank you. Does anyone else wishing to testify on Agency 40? Seeing none. We will close the public hearing on Agency 40 and open up the public hearing on Agency 1, 81, excuse me, the Commission for the Blind and Visually Impaired. Welcome. [AGENCY 40]

PEARL VANZANDT: Hi. Mr. Chairman and Senators, thank you very much, I'm Pearl Vanzandt, director of the Commission for the Blind and Visually Impaired. It's P-e-a-r-l V-a-n-z-a-n-d-t and I'm at 1800 South 58th Street, Lincoln. I'm here...I didn't bring any handouts for you this time. Just mostly want to say that we support the Governor's numbers. We've looked at how we can manage with those cuts and we can do that

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without any great difficulty. We don't have any vacancies at this point, but we are always looking at ways that we can increase efficiencies. So we'll just, you know, ramp that up and do the best we can and we just would hope that you not add any further increases to the cuts that would affect our agency. I think most of you know, but we're the vocational, rehabilitation agency for the blind in the state and we help folks be able to get jobs and be independent and pay taxes, so. I'd be glad to answer any questions that you might have. [AGENCY 81]

SENATOR HEIDEMANN: Thank you for coming in today, Pearl. Are there any questions? Seeing none, thank you. [AGENCY 81]

PEARL VANZANDT: Okay. Thank you. [AGENCY 81]

SENATOR HEIDEMANN: Is anyone else wishing to testify on Agency 81? Welcome. [AGENCY 81]

BRANDON HUMPHREY: Good afternoon, Senator Heidemann and members of the Appropriations Committee. My name is Brandon Humphrey. This is spelled B-r-a-n-d-o-n H-u-m-p-h-r-e-y. I am here today to urge you not to cut the budget for the Commission for the Blind and Visually Impaired. While I have some vision, I'm legally blind. As a teenager I've received many services and participate in many programs at the Commission for the Blind oversees. I received a braille writer, a talking dictionary, and will soon receive a computer program called SIM Text that makes using a computer much easier by zooming in on the screen and will make it easier for me to use. The Commission also has several programs that I participate in to help me with running independent living skills and job skills. These programs are TABS, WAGES, and Winnerfest. At Tabs meetings we learn many different skills such as cooking and cane travel. Both of these skills will be necessary for me to live independently and be a productive citizen. The Wages program, which I have participated in at least two summers, brings blind teams from around the state to the University of Nebraska dorms

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to live. We are then placed with an employer in the Lincoln area to work. We learn how to travel to work, what is expected of employees in the workplace, and other practical skills. Daily, almost every evening, we meet and discuss different things that we will need to do in our lives to make us a productive, contributing part of society and not a burden on an already overdemanded social system. Finally, Winnerfest. It may not sound like much, but the program teaches us many things like about new programs like SIM Text and JAWS help us with the computers and how they operate, plus job interviews, skills, and a lot more to...with independent lives for the blind. In closing, please look closely before doing anything that may harm these important programs. Thank you for the opportunity to speak to you. [AGENCY 81]

SENATOR HEIDEMANN: Thank you for coming in and testifying today. You did a great job. Are there any questions? Seeing none, thank you very much. [AGENCY 81]

BRANDON HUMPHREY: Thanks. [AGENCY 81]

SENATOR HEIDEMANN: Is anyone else wishing to testify on Agency 81? Seeing none. We will close the public hearing on Agency 81 and open up the public hearing on Agency 69, the Nebraska Arts Council. Welcome. [AGENCY 81]

SUZANNE WISE: (Exhibit 3) Thank you. No candy today, I'm sorry. I figured we all got overloaded at Halloween, so I apologize for that. Good afternoon, Chairman Heidemann and members of the Appropriation Committee. My name is Suzanne Wise, S-u-z-a-n-n-e W-i-s-e, and I'm the executive director of the Nebraska Arts Council. I will be addressing you specifically on only two of the four programs administered by the Arts Council, programs 326 and 327. With my testimony, I have distributed a spreadsheet for these two programs that provide you with the details of how we plan to make our reductions based on the figures used in the Governor's recommendation for our agency. As you are aware, the Arts Council is an administratively lean agency. Our goal is to avoid staff reduction at all costs. However, should we find ourselves in a circumstance

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where we cannot nudge computers into another year of service, or must purchase software required to be in compliance with state and federal programs, we will be forced to do so. This will take our agency from ten staff members to nine. While this does not seem like a disastrous situation, let me put this in perspective. Losing one employee reduces our agency staff by 10 percent. This is disproportionate to the percentage of reduction we are being asked to absorb. A similar reduction to an agency of 1,000 employees would be 100 individuals. Therefore, if the reduction our agency faces in program 326 could be reduced to \$20,000 for fiscal year '09-10 and \$26,750 for fiscal year '10-11, we would be in a much better position to avoid this layoff. If you have any specific questions regarding our plan for how we will be reducing our administrative operations, I will be happy to answer them. In 327, the reductions are reflected in a very direct cause and effect, which is detailed for you in the boxed summary at the bottom of page two of the spreadsheet. Less funds mean more competition for the remaining grant dollars. We anticipate that requests by schools for artist residencies and school bus subsidies for cultural field trips will continue to increase due to the school funding issues that you are well aware of. As an example, our fund for school buses in the last fiscal year lasted through April. This year, 90 percent of the money available was requested during the first six weeks of the school year. I will be happy to answer any questions. [AGENCY 69]

SENATOR HEIDEMANN: Thanks for coming in today, Suzanne. Are there any questions? Senator Mello. [AGENCY 69]

SENATOR MELLO: Thank you, Chairman Heidemann, and thank you, Miss Wise for your testimony. Can you please give a little background, I guess, on the Cultural Preservation Endowment Fund. It looks like the Governor's proposal takes \$1 million from that fund. I believe that was the bill that Senator Nelson passed a few years back. Does that...is that taking existing dollars out of the trust fund and putting it into the General Fund or is it taking away obligated dollars that we're supposed to obligate in future years and put it to the General Fund? [AGENCY 69]

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SUZANNE WISE: The second is correct and there will be specific testimony on this a little bit later. I will tell you, however, if you look at the box, you will see that under fiscal year '09-10, which we are currently in, we always...the money that we get from the Cultural Preservation Endowment Fund when we were able to draw that down, which are basically the earnings from that fund that you hold, we have to match that from private sources in order to get it. And once we get it, it goes straight out to in grants. None of that money is kept by the agency for administrative costs and that makes us much different in many ways from other cash funds and how other cash funds operate. Because we anticipate that we need to make sure that our agencies that receive our funds get consistent grants over the years, we always hold back. So that's why this year we had some money and next year we will not because we had nothing to draw down this last fiscal year. [AGENCY 69]

SENATOR MELLO: Okay. [AGENCY 69]

SENATOR HEIDEMANN: Senator Harms. [AGENCY 69]

SENATOR HARMS: Thank you for your testimony. Would you share with us how you're going to reduce your administrative operations? [AGENCY 69]

SUZANNE WISE: Yes, it's detailed out. It's primarily reducing staff travel and it also...we're reducing our quarterly meetings from across the state to just Lincoln and Omaha. I'm a great believer that the entire state of Nebraska has cultural offerings and because we have five board members from each of the three Congressional districts, I like to get the Lincoln and Omaha people out to places like Scottsbluff, to Falls City, Lexington, wherever, for a board meeting because then they are able to see where your dollars through them go and also to get a real taste of the unique culture of Nebraska. With the cuts, that's just simply not feasible until that situation is alleviated. As I said, we're very lean, therefore, we've cut just about everything that can be cut. So, again, if

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we can make the computers stretch and make sure that we don't have to have any new software, we'll be okay. Also please remember we're in Omaha, so we do not have an IT person any time that we have computer issues. That's a contractual obligation. Or if we have to bring someone up from Lincoln, we are charged for that service. So it's a little different situation than agencies that are headquartered in Lincoln. [AGENCY 69]

SENATOR HEIDEMANN: Any other questions? Seeing none, thank you. [AGENCY 69]

SUZANNE WISE: Thank you. [AGENCY 69]

SENATOR HEIDEMANN: Out of curiosity, how many other people plan to testify on this agency? Two more? All right. Sounds good. Come on up. Welcome. [AGENCY 69]

JANE HOOD: (Exhibit 4) Thank you very much, Mr. Chairman. Good afternoon to the other members of the Appropriation Committee. My name is Jane Hood. I'm executive director of the Nebraska Humanities Council. And we are very grateful that the Appropriations Committee did not cut our appropriation in this last biennium session because like most nonprofit organizations, we have seen a significant decline in our other sources of funding since September, 2008. Because of the losses in our endowment earnings and the downturn in our private fund-raising, we have had to cut about \$140,000 out of our \$1.5 million budget in FY '09. That's a 9 percent reduction. To give you an idea of what nonprofits are facing in fund-raising this year, especially in terms of getting grants from other foundations, in fiscal year '08, we had \$108,000 in grants from Nebraska foundations. In fiscal year '09, we only received \$52,000 in grants. That's a drop of 52 percent. Our corporate giving is down. Our annual campaign is down. The only category in which we raised as much money this year as we did last was our Governor's Lecture in the Humanities benefit dinner just this last week. And that was a wonderful effort in Omaha on behalf of...on the part of many volunteers. We've reduced programs, we've eliminated programs and we've postponed programs. We also took \$50,000 from our reserve fund this year to be able to respond adequately to the

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proposals that we receive from nonprofit educational and cultural organizations. The bright news in all of this is that the Nebraska Humanities Council was the host for the National Humanities Conference this past week in Omaha and so we had educational and cultural leaders from Maine to California coming to spend four days in Nebraska and spending their money here, and being extraordinarily impressed with Omaha and with Nebraska. They're going to be very good ambassadors on our behalf. The state of Nebraska needs to continue to fund the humanities if the Nebraska Humanities Council is going to be able to support the kind of cultural and educational activities that promote visitation, visitors, tourists to our state and that prepare Nebraskans to be knowledgeable and productive citizens. I would be happy to answer any questions that you may have. [AGENCY 69]

SENATOR HEIDEMANN: Thanks for coming in today, Jane. Are there any questions? Senator Nelson. [AGENCY 69]

SENATOR NELSON: Thank you, Mr. Chairman. Thank you for coming in Jane. Were you able to put together an estimate of the amount of money that came into Omaha as a result of the Humanities Council? [AGENCY 69]

JANE HOOD: We had 324 delegates to our conference. I used some statistics, or at least a kind of formula that the division of tourism does and again, considering that they were cultural tourists who spend about 35 percent, 35 to 39 percent more than the average tourist, we estimated that we brought about \$300,000 into Omaha during those four days. [AGENCY 69]

SENATOR NELSON: And you say they will be back will...how soon will that be? Will it be next year? [AGENCY 69]

JANE HOOD: Well, they were telling us when they left that they were going to make sure that they brought their husband or their wife back. They had no idea Omaha

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offered this many attractions and they were very impressed with the city. And we hope that they will tell their friends as well. [AGENCY 69]

SENATOR NELSON: All right. Thank you. [AGENCY 69]

SENATOR HEIDEMANN: Senator Harms. [AGENCY 69]

SENATOR HARMS: Thank you very much for your testimony. As you know, I have a fully...I have a full understanding about the positive things that Humanities Council does and where I live I've seen children being exposed to humanities that would never get that experience or that opportunity and particularly with some of the special programs you have established that you've placed in some of these communities. The question that I have is, how much money have you lost in your endowment investment? [AGENCY 69]

JANE HOOD: We had...we would have had approximately a hundred...we would have been able to pull down about \$100,000 this year. That had been what we had been able to earn on our endowment in the past several years on the public side of the endowment. And we are simply not getting anything this year because it dipped below the level that our board believes is prudent. It dipped below what had been in both given to put...appropriated in the fund as well as a bit of a margin that we left in there to be safe. [AGENCY 69]

SENATOR HARMS: How big is your endowment? [AGENCY 69]

JANE HOOD: On the state side now it is a little over \$6 million and on the private side it's about \$3.7 million. I believe...is that true, Pat? Close to \$4 million now. Close to \$4 million now. [AGENCY 69]

SENATOR HARMS: Thank you. [AGENCY 69]

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SENATOR HEIDEMANN: Are there any other questions? Seeing none. Thank you.
[AGENCY 69]

JANE HOOD: Thank you. [AGENCY 69]

SENATOR HEIDEMANN: Any other testifiers? [AGENCY 69]

DON PEDERSON: (Exhibit 5) Chairman Heidemann and members of the committee, my name is Don Pederson and I'm appearing here today on behalf of the two ladies who just testified because the money that comes in to the Nebraska Cultural Endowment is distributed out to the Arts Council and to the Humanities Council and that in turn feeds various programs to people in our state. I have a handout that I'd like you to just glance at. It's kind of a history of the Nebraska Cultural Endowment and it began in 1997. And the reason that we had a cultural endowment at that time was because it was becoming obvious that the federal government was tightening up on any funds and we thought we had to try and do it ourselves. We had to try and maintain a fund that we could bring appropriate facilities to our own state. So as a result, in 1997 we passed the \$5 million cultural endowment. Then in 19...or 2008, under the direction of Senator Nelson, we came forward with an additional \$5 million to try and help build up our reserve so we're able to bring programs of an arts nature and a cultural nature to our citizens. This is a little...just off the cuff thing, but it disturbs me, like, for example, the World-Herald, is not delivered west of Kearney anymore. We need as many programs as we can to continue to tie the state together. And this is certainly one of those programs that I think does this. You know, in 2008, we recognized that there was going to be a financial problem with the state and we knew that the funds were going to become short. And once again, under the direction of Senator Nelson, we revised the funding mechanism for LB1165, which is the new measure for cultural endowment. And then again, this year we came in and modified it again because we wanted to reduce it. We have tried to be a partner with the state of Nebraska in connection with all of this

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and we've tried to work with you. And it's...I think your committee has done, frankly, an outstanding job of bringing the budget to the state and you received appropriate accolades for your insightfulness in the needs of the state. Your view and the Governor's view of funding are really different. The Governor is primarily looking at dollars, and you, you get your budget from the needs of the state as represented by the various entities that testify and tell you what the concerns are. So we've tried to be very responsive by reducing the amount of our asking to correspond with the reduction. You know there's a creed that the medical profession has that's in the oath of Hippocrates and that's says, do no harm. And I think that's a special credo for a Special Session. I think a Special Session is something you have to really balance and determine how you're going to tie the things together that you knew were appropriate at the time and don't take a sudden change of direction simply because of an economic concern. We have been partners with you. We will continue to be partners with you to work through this. There's a huge difference between a reduction and, as we have here today, an elimination. I don't think the state of Nebraska wants funds for its own culture and its own art to be eliminated and that's exactly what's being done. By the reduction of the reduced \$500,000 to zero in both years, it reduces any funding and eliminates funding for the program, period. Now, what effect does that have? It has two effects. One, it has effect on the integrity of the state, frankly. The state has promised it is going to do this. And it effects future donors because they're doing things in reliance upon what the opportunities are going to be for the investment of their funds. Why do they invest in an endowment rather than just give away the money to a particular entity? They do that because they want to have that fund available for future use in the form of the interest coming off of that instead of eating the seed corn and taking it all and doing it at one time. So I think there's a legitimate reason for having a cultural endowment and people wanting to give to that, but we're making it very apprehensive by saying we're not going to fund it. And I would ask you to consider...we will work with you but we can't eliminate the funding. If, for example, there's a \$100,000 reduction each year, I think we could work with you on that. But, please, do not eliminate the funding. I'd be glad to answer any questions you have. [AGENCY 69]

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SENATOR HEIDEMANN: Senator Nelson. [AGENCY 69]

SENATOR NELSON: Thank you, Senator Pederson, for your excellent testimony and I really appreciate the chart that you put out here that shows what's happened. I think...could you comment a little bit about what an elimination does to potential donors that are looking at giving money as far as a match is concerned and things of that sort? [AGENCY 69]

DON PEDERSON: Well, it's hard to look at the future but I can tell you what the experience is. The reason that there's motivation for giving, and you see it in all kinds of approaches by businesses and others that there will be matching fund. If somebody gives \$100,000, if you match that \$100,000, you know, it will be \$200,000, but it's based upon a match. So the private money comes in to match the state money so that it goes forward then to create a fund that's appropriate to carry out the needs of our people. [AGENCY 69]

SENATOR NELSON: Do we already have commitments for this year that we would not be able to meet? [AGENCY 69]

DON PEDERSON: We're there in getting the private funds, we're there. [AGENCY 69]

SENATOR NELSON: From donors you mean. From private funds. [AGENCY 69]

DON PEDERSON: But there are some that are getting apprehensive about putting into this and they may in alternative request that they put their money into the certain entity that may have some preference for them. And if they do that...the reason they don't want to do that is because they want the money kept around for a while and utilized over a period of time instead of just spent. Because you know what happens when it goes in, it gets spent and that's what they want and that's why we have the cultural

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trust. And I'd just like to comment. This has a direct application to people in each one of your districts because we get rent requests for the Arts Council, rent requests for the Humanities Council. And both of them...and I know that the Cooper Foundation in Lincoln is the same way. They've said, you know, times are pretty rough out there. We can't cut back this year. We hope we're able to get sufficient funds that we can continue to maintain those programs. But there is a cultural need in the state. I would like to remind you of one other thing and that is, I spent a lot of time on the Rotunda area. And I was just thinking again that the Rotunda and the rest of the Capitol building was built during the heart of the deepest of the depressions. This is a blip compared to what it was at that time. But the dirt farmers that were making up our Legislature at that time thought enough of the culture for the later years in our state that they put in countless amounts of art work. They could have diverted that. They could have put it into brick and mortar, or I guess in this case, stone and mortar. But they could have done that but they didn't. They thought enough of our people to want to carry on a fund that will last for a long time and that's what we're trying to do at this time. Did that answer your question? [AGENCY 69]

SENATOR NELSON: Thank you very much, yes. [AGENCY 69]

DON PEDERSON: Thank you. [AGENCY 69]

SENATOR HEIDEMANN: Are there any other questions? Seeing one. Thanks for coming in today. [AGENCY 69]

DON PEDERSON: Thank you. [AGENCY 69]

SENATOR HEIDEMANN: Does anyone else wishing to testify on Agency 69? Seeing none. We will close the public hearing up on Agency 69 and open up the public hearing on Agency 72, the Department of Economic Development. Richard. [AGENCY 69]

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RICHARD BAIER: Ready to roll, huh? [AGENCY 69]

SENATOR HEIDEMANN: Rock and roll. [AGENCY 69]

RICHARD BAIER: (Exhibit 6) All right. Good afternoon, Chairman Heidemann and members of the committee. For the record, my name is Richard Baier, the last name is spelled B-a-i-e-r, and I work as a director for the Department of Economic Development. I am here today to provide some background and answer questions that you might have about the Governor's and Department's proposed budget reductions. Beginning in July of 2007, the management team of DED started implementing cost saving measures at my request. These cost saving measures from 2007 to present have included: significant telecom restructuring, travel limitations, overtime restrictions, program elimination and consolidation, and personnel vacancies among other things. The low growth budget was the catalyst for making programs both more efficient and more effective. Because of these cost savings, we were able to save a significant amount of funds that was reappropriated to this year. Like other agencies, those reappropriations are being recommended for reduction and we agree with those recommendations. I will focus my testimony on the two areas that make up the large majority of the reductions to my department. One of those being the Affordable Housing Trust Fund and the other the Job Training Cash Fund, which are both at the bottom of page two, I believe, of your fiscal year handout. The Affordable Housing Trust Fund is a state financial resource that was developed in 1996 to increase the supply and improve the quality of our affordable housing in Nebraska. It is funded with your doc stamp fees that you pay on real estate transactions. Currently, we have a monthly average of about \$697,000 being deposited into the fund. As of today, we have roughly \$20 million committed to projects across our state which is \$7 million over the current fund balance of \$13.1 million. With the recommended cash fund reappropriation reduction of \$4.5 million, we will not be making any new commitments and we will use our current fiscal year appropriation authority to fulfill these current contracts before making any additional commitments to housing projects across our state. The Governor has also recommended a transfer of \$3 million

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from the Job Training Cash Fund to the General Fund. This represents nearly one-half of the uncommitted funds in this Job Training Cash Fund. As of today, we have roughly \$13.8 million committed to companies looking at expanding in or relocating to our state. This is a significant number and it points to Nebraska's highly competitive position in the United States. It is essential that we maintain a balance in this cash fund in order to offer companies competitive packages while also pulling Nebraska out of these sluggish economic times. And we'd prefer to be on the front end of that as these companies begin to reinvest and we hire people. This fund plays a crucial role in developing our world-class workforce. Every time we award a Job Training grant, a higher skilled Nebraskan comes out the other side of that program. In a globally competitive economy and in this global environment, a skilled workforce is an important business metric in the recruitment and expansion areas as it relates to business. Looking ahead at our 2.5 and 5 percent budget cuts in the next two fiscal years, DED will continue to be efficient while looking at additional cost saving measures. We'll also keep existing vacancies open to avoid furloughs and layoffs. And I believe we can manage these reductions and continue to be effective in growing our economy with targeted and narrow investments. I would like to thank your committee for the past support you've shown to DED and I would be happy to answer any questions that you might have at this time. [AGENCY 72]

SENATOR HEIDEMANN: Senator Mello. [AGENCY 72]

SENATOR MELLO: Thank you, Chairman Heidemann and thank you Director Baier for your testimony. Really only one question and it does evolve around the Job Training Cash Fund. Your testimony says you have \$13.8 million committed. How much currently is not committed in the cash fund? [AGENCY 72]

RICHARD BAIER: And this, again, this is kind of rolling cycle but this was done on the 13th of October which is kind of what predicated our discussions about the budget. At this point, dollars available but not committed is a balance of approximately \$6.8 million and that has ebbed and flowed as we make commitments and we've got a couple of

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those this week. We also had one company send us a letter and say, we're not going to be able to meet our job commitment, our job commitment that we put on our general contract, therefore, we're going to ask you to terminate that contract. So that puts some dollars back in. So it's really an ebb and flow but in that \$6-7 million range right now.

[AGENCY 72]

SENATOR MELLO: Now, it's my understanding that the Job Training Cash Fund is kind of segregated, so to speak, in different categories. I believe it was a bill passed a year and a half ago or so that targeted a specific amount for rural and high poverty urban areas of Nebraska... [AGENCY 72]

RICHARD BAIER: That is correct. [AGENCY 72]

SENATOR MELLO: ...specifically for job training out of this fund. [AGENCY 72]

RICHARD BAIER: Yes. [AGENCY 72]

SENATOR MELLO: How much is left in that fund? [AGENCY 72]

RICHARD BAIER: Roughly uncommitted right now, somewhere in the neighborhood of about \$2 million, and that's included in that \$6 million total. [AGENCY 72]

SENATOR MELLO: So if we went along with the Governor's recommendation to cut \$3 million, how would the department determine where to cut the funding from? Would you take it from the General Fund or would you take it from the high poverty urban and rural areas? [AGENCY 72]

RICHARD BAIER: We would take it from the General Fund because by statute we're required to put the interest into that pot and segregate it, so we would continue to pursue that option. [AGENCY 72]

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SENATOR MELLO: Okay. Thank you. [AGENCY 72]

RICHARD BAIER: You bet. [AGENCY 72]

SENATOR HEIDEMANN: Senator Conrad. [AGENCY 72]

SENATOR CONRAD: Thank you for your testimony and thank you for your willingness to be part of the solution in regard to the current economic conditions that we're all facing and trying to deal with. I'm going to pose a similar question to you as I did to the director of the Department of Labor when she came forward to talk. As well, I know that your agencies work hand-in-hand very well on a variety of different issues and have been really working overtime in terms of trying to recruit and retain quality jobs into the great state of Nebraska. And I'm wondering if you or your agency has had any time to talk about plans to ensure a smooth transition for the loss of state jobs that we may foresee if the Governor's proposal is adopted? His representatives estimated that we...that their assumptions within the proposal saw a potential for up to 400 jobs being lost in the next short-term. If you could talk just a little bit about what kind of services might be available to those employees, that would be helpful. [AGENCY 72]

RICHARD BAIER: You bet. Okay. Thank you. We work very, very close with the Department of Labor and I will tell you Cathy Lang and I, the last few months, have spent an awful lot of time together, some for things that are productive for the state, some in terms of dealing with issues like the Tenneco situation out in Senator Wightman's district. We've learned a lot about the process. We've learned about the importance of taking those transitioning employees, helping them with identify skill sets, what might be important in terms of moving forward with new opportunities, how do we get you to transition to the next opportunity. Is it computer skills training? Is it logistics training and trying to look at very specific kinds of scenarios? You know, we're going through that right now in Auburn. I'm going to a meeting tomorrow morning. We've got

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Southeast Community College coming out to meet with Cathy's group and the folks at the former Armstrong Cabinet facility. And so we've learned a lot of lessons about, number one, getting in quickly. getting people into the system and make sure, number one, personally they're taken care of. You know we've got you signed up for unemployment, we're dealing with housing and those kinds of issues. And then move back into that retraining scenario and talk about what's going to be hot as we come out of this recession and where are the opportunities going to be, and so we spend a lot of time looking at that. Unfortunately, we've had a little more experience than I would have liked dealing with that, but it's been good for all of us to work through it and I think we probably have the best team we've had in the years that I've been here. [AGENCY 72]

SENATOR CONRAD: Great. Well, thank you. [AGENCY 72]

RICHARD BAIER: You bet. [AGENCY 72]

SENATOR HEIDEMANN: Senator Mello. [AGENCY 72]

SENATOR MELLO: Thank you, Chairman Heidemann. Director Baier, I was just looking over your...the proposed cuts from the Governor and it appears that the Governor targeted a few programs that maybe you can shed some more light on to, such as the Building Entrepreneurial Communities, the Ag Opportunities Value-Added Program as well as the Microenterprise Loan Program. It would appear from at least some of the testimony we've heard from other code agencies, that other agency directors are either looking at furloughs. It's been mentioned possibly for agency directors and the deputy directors look to take salary freezes or salary cuts to maintain aid for critical service programs. Is that something that your department is looking to do to help kind of keep some of the funding for these job creation kind of programs? [AGENCY 72]

RICHARD BAIER: We have, Senator. We've kind of been through the whole mix and quite honestly the things we've implemented over the last two years, I must really

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compliment my staff. They've done a great job in terms of finding cost savings and that's going to carry forward for us. I think the other challenge with us is we begin to think about layoffs. As we come out of this economy, the last thing I want to do is be behind because I think that puts us really at a disadvantage if we're laying people off as the economy is picking back up, were at a disadvantage. But I will tell you, we've held positions open for that reason. We've had a significant amount of retirement at our agency and we've been able to bring, for my perspective, some really great young staff on. We've done that through a very aggressive internship program. We target about eight or nine kids a year that we run through our program and give them some background. And that really allows us to pick the best and brightest and if they have...you know, want to pursue an opportunity with us, it's usually worked out as a pretty good relationship, so. You've been a part of that in the past but it's something that we've really have focused on being able to help in that transition. We've not talked a lot about salary freezes. I mean, that's a much bigger policy issue that will be decided over here but there are things that we're very, very fortunate and cognizant of in this process. I think the other thing, and it's been a message since I've been there...I've been there almost six years now, and my answer has historically been, let's make sure, number one, we have measurement for success. Most importantly, let's make sure that we're getting an impact and an outcome. One of the concerns that I've always had in Nebraska is that sometimes we confuse activity with outcome. And for us, it's really been about, how do we measure outcome and success? And we've done a much better job of benchmarking and being able to move forward through that. [AGENCY 72]

SENATOR MELLO: Okay. Well, one follow-up question and it's something that I asked also of the Department of Labor too which is, knowing that we have close to a \$600 million deficit in 2011 that not only the Appropriations Committee but the Legislature and the Governor as a whole need to look at more innovative solutions to streamline and make government more efficient and do more with less, do you see any potential job savings or our cost savings with the consolidation of the Department of Labor and economic development knowing that you both work in economic and workforce

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development essentially? [AGENCY 72]

RICHARD BAIER: Sure. Sure. I think that's a good question. It's something we ponder every day about how to be more efficient and make sure we're getting the best outcome. It's something that we've looked at. You know, I think we took a pretty serious look at it a year ago and had a lot of conversations about it. One of the things that I think Cathy Lang and I realize is that we're really talking about different missions because a lot of the workforce functions right now is they're funded by the federal government, are really targeted towards the unemployed and the people that need retraining. So in a sense your clientele is the individual, at DED the clientele is the business. And we also have the flexibility right now from my perspective to operate fairly...in a flexible manner to allow us to work with business and be able to move closer to the speed of business rather than closer to the speed of the federal government funding that comes with it. So I think there's some opportunities. I will tell you we've implemented some things already in terms of cost savings. We have our research department sitting down together. Cathy and I also looked at restructuring of the worker training board, which was something that you folks approved during the last session. So we've already done a lot of those things. In terms of overall cost savings and the merger of the two, I'm not sure it would be significant, Senator. [AGENCY 72]

SENATOR MELLO: Okay. Thank you. [AGENCY 72]

SENATOR HEIDEMANN: Are there any other questions? Seeing none. Thanks.
[AGENCY 72]

RICHARD BAIER: Thank you. [AGENCY 72]

SENATOR HEIDEMANN: Out of curiosity at this time for planning purposes, how many people plan to testify on Agency 72? All right, I do see that there's a significant amount of interest in this agency. We are going to have to limit your testimony to approximately

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three minutes to get us through this afternoon. Thank you. Welcome. [AGENCY 72]

LORA YOUNG: (Exhibit 7) Good afternoon, Senator Heidemann, members of the committee. My name is Lora Young, spelled L-o-r-a Y-o-u-n-g, and I'm here on behalf of the Nebraska Travel Association. The tourism industry is responsible for employing over 35,000 fellow Nebraskans with earnings of over \$5.5 million. The industry also generated dollars in excess of \$2.3 billion in direct travel spending in year of 2008. We appreciate the tough task you have before you today. As economic development partners we would like to be part of the solution of the current financial struggles. The Division of Travel and Tourism is operated strictly by lodging tax dollars with no General Fund dollars used for administrative costs. This makes this division unique with the budgeting based on revenue generated from the visitors promotion cash fund. We have greatly appreciated the money given to the division and the industry over the last two biennium's from the General Fund for promotional grants and marketing. These funds helped to produce a 5.9 percent increase in travel spending from 2007 to 2008. We support the Governor's recommendations relative to the year end carryover funds, project specific cuts, and the across the board cuts from the General Funds given to the division of tourism. We cannot, however, support the across the board cuts from the operation fund generated by the 1 percent statewide lodging tax in the visitor promotion cash fund. In lieu of the across the board cuts to the visitors promotion cash fund, we would like to offer our support as an industry that you use the entire \$500,000 that has been appropriated out of the General Fund for each year the biennium to the division. We would ask your support in respecting the convention center financing funds as well that were statutorily put in place to help expand tourism in Nebraska outside of Omaha. [AGENCY 72]

SENATOR HEIDEMANN: Thanks for coming in today, Lora. Are there any questions? Seeing none. Thank you. [AGENCY 72]

LORA YOUNG: Thank you. [AGENCY 72]

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SENATOR HEIDEMANN: Welcome. [AGENCY 72]

ALICE LICHT: (Exhibit 8) Thank you. Good afternoon, Senator Heidemann. My name is Alice Licht, and that is A-l-i-c-e, and the last name is L-i-c-h-t, and I represent the Nebraska Hotel and Motel Association which represents the hotel and motel industry in the state of Nebraska. We are here to oppose certain provisions of the proposed cuts and to not oppose, or not vehemently oppose, the rest of the cuts. I have in my testimony that I've passed out indicated the number of dollars that are proposed to being taken, in year one, \$268,161 would be taken from the balance that is in the tourism budget of \$543,000. There's \$250,000 which would be taken back to the General Fund which was designated to the Golf Tournament in Omaha in 2013. And then the remaining \$250,000 which was appropriated by you this year, \$6,250 would be put into the General Fund. And in addition, \$86,127 from the Visitors Promotion Fund, which is a checkoff fee paid by hotel users for marketing and promotion would be taken out. And then in addition, funds which I've indicated in my testimony to keep my time short here, which would come from the Convention Center Financing Act. In year two, the \$500,000 which is appropriated from the General Fund would be reduced by 5 percent and again, \$173,000 would be taken from our checkoff fee paid by the hotels and then additional funds from the Convention Center Financing Act. We realize that funds are short and all agencies will be required to take a reduction. Therefore, we reluctantly do not oppose the funding cut of the \$250,000 from the Golf Tournament as well as the 2.5 and 5 percent reductions in the General Fund, although we would like to see you leave intact the 1 percent checkoff lodging fee that is in the Visitor Promotion Fund. I don't think that the state would probably...state law does not allow to go over 1 percent lodging tax but lodging tax essentially funds tourism promotion in this state with the exception of the \$250,000 and \$500,000 that you've given us which we are very thankful for. You do have to realize that other communities do have lodging taxes. Omaha has currently one of the highest lodging taxes in the country because they have the 1 percent state tax. They have a 2 percent promotion tax. They have a 2 percent

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brick and mortar tax as we call it. They have a 4 percent Qwest Center tax and they have an additional 1.5 percent for the baseball stadium and another .5 percent for tourism promotion in addition to 7 percent sales tax. So they're at about 17.48. If you have a \$100 room, you're paying \$17.48 more, so. I rather doubt whether anyone would support an increase in lodging tax to make up for the difference of this. The 1 percent raises, depending on the economy, anywhere from \$2.96 million to \$3.2 million a year for tourism promotion in the state. Thank you for allowing me to testify. [AGENCY 72]

SENATOR HEIDEMANN: When I stay in Omaha all those fees are...taxes are well noted on my bill. (Laughter) Senator Nelson. [AGENCY 72]

SENATOR NELSON: Thank you, Senator Heidemann. Thank you, Alice, for appearing today and for the information. Would you...you're talking about the Visitor Promotion Fund, this is a checkoff. Is that comparable to the checkoff funds for commodities, that work the same way? [AGENCY 72]

ALICE LICHT: I'm not an attorney but it's similar. When you stay in a hotel, you're no different than a farmer selling grain at an elevator and when you pay the \$100 room rate, they checkoff another 1 percent, or depending on the community add it on to your bill. [AGENCY 72]

SENATOR NELSON: And it's for promotion of the hotel industry and tourism, is what it goes again. Thank you. [AGENCY 72]

ALICE LICHT: Correct. The use of the checkoff or fee is the same because it's for marketing and promotion. [AGENCY 72]

SENATOR NELSON: All right. Thank you. [AGENCY 72]

ALICE LICHT: Thank you. [AGENCY 72]

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SENATOR HEIDEMANN: Any other questions? Seeing none. Thank you. [AGENCY 72]

ALICE LICHT: Thank you. [AGENCY 72]

TONI TAUBER: (Exhibit 9) Senator Heidemann and other members of the Appropriations Committee. I'm Tony Tauber and I'm here today to testify on behalf of the Knox County Development Agency in opposition of cutting the funding for the Building Entrepreneurial Communities Act, also known as BECA. The Knox County Development Agency works for all communities in Knox County, including Bazile Mills, Bloomfield, Center, Creighton, Crofton, Lindy, Niobrara, Santee, Verdel, Verdigre, Wausa, and Winnetoon. In my capacity as the executive director for economic development in Knox County, I have firsthand knowledge of how the BECA program has supported small business training, strengthened community foundations and engaged rural youth in building their communities and honing business skills. The Building Entrepreneurial Communities Act has benefited 66 of Nebraska's 93 counties through youth entrepreneurship training, youth entrepreneur camps, business coaching and mentoring, resident recruitment programs, community Web site development and improvement, leadership courses, entrepreneurship courses, alumni outreach, marketing rural communities to potential residence and workforce scholarship programs. In my testimony I highlighted one of the BECA programs I worked with and to shorten my testimony I will allow you to read that yourself. Financial resources are limited for rural areas and by cutting this program any further will cause huge detriments to not only our communities, but communities across the state. We also want to state support of Senator Haar who has introduced LB16 which would restore funding to three critical rural programs aimed at economic development. These programs were cut in previous regular sessions. The amount of money cut from these programs is large and the programs are very important to rural economic development and are the kinds of programs that will help the economy recover. I will now open myself up to any questions you may have. [AGENCY 72]

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SENATOR HEIDEMANN: Thank you for coming in and testifying. Are there any questions? Seeing none. Thank you. Welcome. [AGENCY 72]

CALEB POLLARD: (Exhibit 10) Thank you very much, Senator Heidemann and members of the Appropriations Committee. My name is Caleb Pollard, C-a-l-e-b P-o-l-l-a-r-d. I'm executive director of Valley County Economic Development and the Ord Area Chamber of Commerce. I'm here to express my concerns regarding any decreases in funding for the Microenterprise Development Act in the biennium budget. I am not alone in this position. A recent letter to the Legislature regarding any further cuts was signed by nearly 100 individuals who work in and/or support economic development across Nebraska. In addition, LB16 has been introduced in this Special Session and that bill protects the funding for these programs and I ask that you give your support to that bill. I fully understand the need for fiscal restraint in this difficult budget period. But now during this economic recession, I believe that the last thing that we can afford is to cut the legs out from under the systems that provide assistance and financing for small business development. As a state, we need a variety of resources to stimulate economic growth. And for small business development, those resources include loans, technical assistance and training for micro businesses. Professionals engaged in microenterprise development will be the first to tell you that a recession is great for entrepreneurship, especially when workers that are displaced are allowed to join the workforce as an entrepreneur. Existing businesses are seeking new sources of loan capital due to a tightening credit market. And the need for technical assistance in the market development has increased due to the weakness in the broader economy. These trends are expected to continue into the future. Being located in rural central Nebraska, I witness firsthand that micro and small businesses are the foundation of our economy. They support community activities, they provide very valuable jobs, they pay taxes, and spend money in the local area. Small businesses contribute a greater percentage of their overall income to our local economy than do larger businesses. We must do everything possible to ensure that they are fully supported during the recession

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and allowed to grow in the future. The Microenterprise Development Act funding helps grow our economy base and tax base in good times and in bad. Over the last 13 years of funding, Nebraskans have benefited from these resources in technical assistance training. And I want to leave a final comment as I wrap it up here. Due to the importance of this program, in the past nine years, Valley County has experienced creation of 100 new businesses, 15 expansions and 24 business transitions. Microfinance is a critical component of economic development outputs. We're talking about outcomes here and that's what we measure our economy on is outcomes. Because of this business growth our tax base has grown 17 percent between 2008 and 2009 and our net taxable sales tax receipts have grown nearly 7 percent over the same duration. Our unemployment rate continues to hold steady at 2.5 to 2.7 percent and I use all state government reporting agencies for these numbers. We measure our own business outputs locally. Our unemployment rate is an indicative measure we feel to the relative strength of Valley County and specifically Ord and I'd like you to contrast that with the rest of the nation. Starting and growing micro businesses builds Nebraska's economy. And I ask that you support not cutting the funding from the Microenterprise Act. And I thank you for this opportunity to share and would be more than willing to entertain any questions. [AGENCY 72]

SENATOR HEIDEMANN: Are there any questions? Senator Mello. [AGENCY 72]

SENATOR MELLO: Thank you, Chairman Heidemann. Mr. Pollard, I just would like to thank you for your testimony and for the great work you're doing in Ord County (sic). It's good to see the next generation of Nebraska's leaders leading business development, business recruitment, and doing some things, quote, unquote, outside the box like you're doing in Ord County (sic). I'd like you to applaud you for that and thank you for your testimony. [AGENCY 72]

CALEB POLLARD: I appreciate that, thank you. [AGENCY 72]

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SENATOR HEIDEMANN: Senator Harms. [AGENCY 72]

SENATOR HARMS: Thank you very much for your testimony. Can you tell me, does the Microenterprise Development Act have any money that's invested? [AGENCY 72]

CALEB POLLARD: Locally? [AGENCY 72]

SENATOR HARMS: No, just invested. [AGENCY 72]

CALEB POLLARD: I can't shed light on that aspect. I can tell you how we utilize those funds locally. [AGENCY 72]

SENATOR HARMS: No, I'm just interested in do they have investment money that's been invested anywhere? [AGENCY 72]

CALEB POLLARD: I can't answer that question. I don't have that knowledge, I'm sorry. [AGENCY 72]

SENATOR HARMS: Can you find out? [AGENCY 72]

CALEB POLLARD: Absolutely. [AGENCY 72]

SENATOR HARMS: Okay, that would be fine. Thank you. [AGENCY 72]

SENATOR HEIDEMANN: Are there any questions? Seeing none, thank you. Welcome. [AGENCY 72]

ROGER JASNOCH: Good afternoon, Mr. Chairman, members of the Appropriations Committee. My name is Roger Jasnoch, last name is spelled J-a-s-n-o-c-h. In the spirit of time would like to support the testimony that was given by Ms. Young earlier from the

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Nebraska Travel Association and would also answer any questions. [AGENCY 72]

SENATOR HEIDEMANN: Are there any questions? I appreciate you keeping it brief.
[AGENCY 72]

ROGER JASNOCH: Thank you. [AGENCY 72]

SENATOR HEIDEMANN: Thank you for coming in. Welcome. [AGENCY 72]

LISA BURKE: Yes, Mr. Chairman, Appropriations Committee, thank you for hearing testimony today. Again, to keep it brief, my name is Lisa Burke. I'm the executive director of the North Platte/Lincoln County Convention and Visitors Bureau. Last name is spelled B-u-r-k-e. As the director of the Convention and Visitors Bureau in North Platte, I again support the position taken by the Nebraska Travel Association, testimony they held by Lora Young. Thank you. [AGENCY 72]

SENATOR HEIDEMANN: Thank you very much. Are there any questions? Seeing none, thank you. [AGENCY 72]

RENEE SEIFERT: I may be your last opportunity. (Laugh) Senator, Renee Seifert. I am the executive director of the Grand Island/Hall County Convention and Visitors Bureau. It's spelled R-e-n-e-e, last name is Seifert, S-e-i-f-e-r-t. And this is again to, as my counterpart just did, to let you know that we fully support the position that has been taken by the Nebraska Travel Association in regards to we're here, willing to help but we do have some things that we'd like to see changed. So are there any questions?
[AGENCY 72]

SENATOR HEIDEMANN: I think there are a lot of concerns with a lot of things that are going on right now. Are there any questions? Senator Mello. [AGENCY 72]

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SENATOR MELLO: One question. How much funding does Hall County produce every year through...for the visitors promotion checkoff so to speak? [AGENCY 72]

RENEE SEIFERT: You're talking at the state level, the 1 percent at the state level? [AGENCY 72]

SENATOR MELLO: Yes, um-hum. [AGENCY 72]

RENEE SEIFERT: Probably anywhere in the neighborhood of \$150,000 to \$200,000 come out of our area. [AGENCY 72]

SENATOR MELLO: Okay. In Hall County? [AGENCY 72]

RENEE SEIFERT: Uh-huh, yeah. [AGENCY 72]

SENATOR MELLO: Okay. Does that make you one of the larger counties in the state in regards to producing the checkoff funds? [AGENCY 72]

RENEE SEIFERT: Well, I would say outside of Lincoln and Omaha yes. You would probably venture a guess that it's Grand Island, Kearney, and North Platte as being the next three largest cities, outside of the major metro areas, that do generate and produce that 1 percent lodging tax that does go to support the Division of Tourism. I do believe, too, that the other thing that Lora did make mention of is the fact that that 1 percent does go to support the entire Division Tourism. So that 1 percent is used for all of their administrative costs. So there are no General Funds that come for their salaries and all administrative costs associated with the Division of Tourism. [AGENCY 72]

SENATOR MELLO: Okay, thank you so much. [AGENCY 72]

RENEE SEIFERT: Okay, thank you. [AGENCY 72]

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SENATOR HEIDEMANN: Any other questions? Seeing none, thank you. [AGENCY 72]

SENATOR COUNCIL: Good afternoon. [AGENCY 72]

SENATOR HEIDEMANN: Welcome, Senator. [AGENCY 72]

SENATOR COUNCIL: Chairman Heidemann, members of the Appropriations Committee, I am Brenda Council. Last name is spelled C-o-u-n-c-i-l. I am the representative for the 11th Legislative District. And I appear this afternoon to reinforce legislation that I have introduced, LB8, which opposes the Governor's proposed transfer of \$3 million from the Job Training Cash Fund into the General Fund. And I appear this afternoon to make clear the net effect of approving such a transfer. If you look at the legislative intent when the Job Training Cash Fund was originally established and as recently as this past legislative session, it has never been the intent that funds be transferred out of the Job Training Cash Fund. In fact, since fiscal year '94-95, funds have been transferred into the Job Training Cash Fund from the Cash Reserve. And this year the agency, to its credit, did not request an additional transfer from the Cash Reserve Fund into the Job Training Cash Fund because at the time there was a \$23 million balance in that fund. Now it's important to understand, Senator Mello asked a question about what is commonly referred to as the Rural Advantage portion of the Job Training Cash Fund. The Rural Advantage portion receives its funding from the interest earned on the balance of the fund. So if the balance of the fund, which currently as Director Byer testified, is \$6.8 million. To cut that in half dramatically reduces the interest earning potential of that fund, dramatically reduces the opportunity for rural businesses and businesses in high poverty impact areas to access those funds. Again, to the credit of the agency, since the end of the last fiscal year, \$13 million of those funds have been committed to the creation of jobs in the state of Nebraska, throughout the state of Nebraska, 4,112 such jobs are represented by that \$13 million. To take \$3 million out of that fund would again dramatically affect the ability of rural community and

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high poverty impact communities to create jobs by assisting employers who have job vacancies. Now by way of example, the North Omaha Development Project, working in cooperation with Metropolitan Community College, Blue Cross Blue Shield of Nebraska, and Mutual of Omaha, those two companies had customer service representative vacancies. They did not have skilled applicants for those positions. Through use of this fund there was a job training program created, implemented that resulted in, and I'm not going to be held exactly, it was either 26 or 28 people who completed those programs and who are currently employed as customer service representatives, individuals who were not earning income prior to those programs, many of those individuals who instead were drawing upon state services in terms of Aid to Dependent Children and others to provide their earning and their living. Now they are ably employed individuals who are paying income taxes, who have the income now that they can make purchases and add to the sales tax. To eliminate \$3 million from the Job Training Cash Fund, I believe, is shortsighted and it's cutting our noses to spite our faces. If we are in this position in large measure due to the economy and the fact that we are having people lose jobs, where we have an opportunity to assist businesses in creating jobs, we should take full advantage of that opportunity. And again, by cutting this in half we hit this agency and this fund twice. There were no additional appropriations for fiscal...for this biennium. They received no money. And I just wanted to point out to you what this Legislature intended. This session, but for the action of the Legislature in this past session, at the end of 2010 any unexpended, unobligated balances in that cash fund would have reverted to the Cash Reserve Fund. We said as a body we don't want those funds to go back, we want all of those funds to be used to create jobs. And what we did was extend that sunset to 2014, which meant we did not intend to return those funds to the Cash Reserve Fund. So we certainly didn't intend for them to go back into the General Fund. I would just ask the Appropriations Committee to go forward with our intent with regard to the Job Training Cash Fund, and that is to leave those funds untouched and not subject to transfer. I'm here and available to answer any questions that you may have.

[AGENCY 72]

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SENATOR HEIDEMANN: Are there any questions? Seeing none, thank you. [AGENCY 72]

SENATOR COUNCIL: Thank you for your time and attention. [AGENCY 72]

SENATOR HEIDEMANN: Is anyone else wishing to testify on Agency 72? Seeing none, we will close up the public hearing on Agency 72 and open up the public hearing on Agency 84, the Department of Environmental Quality. Welcome. [AGENCY 72 AGENCY 84]

MIKE LINDER: Thank you. Good afternoon, Senator Heidemann, members of the Appropriations Committee. My name is Mike Linder. Last name is spelled L-i-n-d-e-r. I'm the director of the Department of Environmental Quality and I'm here to testify on the proposed General Fund and Cash Fund reductions to the department budget. Understanding the difficult fiscal issues facing our state, the department realizes that a mid-course adjustment is necessary. The Governor's proposal does a good and thoughtful job of addressing the budget shortfalls and minimizing negative impact to the agency. I do want to commend and thank the Legislature and the Governor for the action taken in the last session to reappropriate General Fund and Cash Fund balances. For NDEQ, that action is very helpful in addressing the current budget issues. The department is confident we can manage our budget after the reductions. This can be done by carefully utilizing the remaining reappropriated funds, the inherent flexibility of having a good fund mix that we do, and with federal cash and General Funds across the agency, and managing vacancies. On the cash fund reduction side, the reductions in the Waste Reduction and Recycling Incentive Fund will result in the agency providing fewer grants to recipients than originally anticipated. The department anticipates we'll be able to provide about \$2.5 million in grants annually. That number is slightly less than the amount of grants historically provided. Other cash fund reductions will have little impact on agency operations. That concludes my testimony. I'll be happy to answer any questions. [AGENCY 84]

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SENATOR HEIDEMANN: Are there any questions? Seeing none, thank you. [AGENCY 84]

MIKE LINDER: Thank you. [AGENCY 84]

SENATOR HEIDEMANN: Is anyone else wishing to testify on Agency 84? Seeing none, we will close the public hearing on Agency 84 and open up the public hearing on Agency 86, the Dry Bean Commission. [AGENCY 84 AGENCY 86]

KENNETH RHOADES: (Exhibit 11) Good afternoon, Senator Heidemann and Appropriation Committee members. My name is Kenneth Rhoades. I am a producer of dry edible beans from Big Springs, Nebraska, and I have traveled 300 miles and I have left a crop in the field to be here today to have this opportunity to testify on the proposed budget recommendations. I'm here representing the nine more...nine member board consisting of six grower representatives and three processor representatives that have the responsibility of investing the dry bean checkoff fund for the purpose of research, promotion, and education. The Nebraska dry bean checkoff is a program developed by dry bean growers and dry bean processors in 1987, to promote the dry bean industry in the state of Nebraska. The self-imposed checkoff is currently 10 cents per hundred weight, which is collected at the time a grower sells his product. The dry bean checkoff is unique in the fact that the processors pay 3.33 cents per hundred weight and the grower pays 6.66 cents per hundred weight. The dry bean checkoff also has a refund provision for both growers and processors. Historically, this refund has been quite low, averaging around three-tenths of 1 percent, which clearly supports...shows the support for the programs which have been established. Nebraska is the largest producer of Great Northern and third largest producer of dry edible beans in the U.S. The edible bean production is primarily in western Nebraska, having a substantial economic impact on the growing region as well. Our industry appreciates the challenge before you. We, too, have been challenged in the past with a shortfall of revenue created by Mother

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Nature in the same manner that the state is experiencing at this time. We found ourselves in a position where we were unable to pay for commitments of research projects and promotion projects. After having experienced these difficult years the Bean Commission, being a conservative group, has established the need for adequate cash reserve to ensure the continuity of our programs. In closing, if this proposal is approved I have great concern that growers and processors will in the future ask for checkoff money back because it is going to the state General Fund and not to the intended source. This would ultimately end the Nebraska Dry Bean Checkoff Program from being able to exist. The Nebraska dry bean checkoff does not cost the state any General Fund money. The dry bean checkoff is self-supporting in terms of staff, investments and administrative costs. Nebraska's strength is in its agriculture and farmers willingness to invest in their industry has helped reduce the impact of the economic recession in our state. The proposed acquisition of checkoff funds would severely impact the Nebraska dry bean industry to continue investing itself and continue its contribution to Nebraska's economic vitality. Thank you for your time. And I'm willing to answer any questions.
[AGENCY 86]

SENATOR HEIDEMANN: Could you please at this time, state and spell your name again for us. [AGENCY 86]

KENNETH RHOADES: Oh, I'm sorry. Kenneth Rhoades, R-h-o-a-d-e-s. [AGENCY 86]

SENATOR HEIDEMANN: Senator Wightman. [AGENCY 86]

SENATOR WIGHTMAN: Thank you, Mr. Chairman. Thank you, Mr. Rhoades, for being here and testifying and coming 300 miles in. Do the dry bean producers include the soybeans or not? [AGENCY 86]

KENNETH RHOADES: No. [AGENCY 86]

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SENATOR WIGHTMAN: They're separate. [AGENCY 86]

KENNETH RHOADES: Dry edible beans are not... [AGENCY 86]

SENATOR WIGHTMAN: They're all edible. [AGENCY 86]

KENNETH RHOADES: Edible, yes. [AGENCY 86]

SENATOR WIGHTMAN: You just said dry beans and so... [AGENCY 86]

KENNETH RHOADES: Yes, edible dry beans. [AGENCY 86]

SENATOR WIGHTMAN: Can you tell us when you approve a checkoff as a group, how long is that checkoff for? How long is the current checkoff run? Is it set for termination or sunset at any given time? [AGENCY 86]

KENNETH RHOADES: No, it's indefinite. [AGENCY 86]

SENATOR WIGHTMAN: But from time to time you do vote on it again, is that correct? [AGENCY 86]

KENNETH RHOADES: Yes, yes. [AGENCY 86]

SENATOR WIGHTMAN: And were there ever any thoughts at the time that you entered into this checkoff that any of that fund could lapse to the General Fund of the state of Nebraska? [AGENCY 86]

KENNETH RHOADES: No, not really. No, because that was our growers money, dedicated. [AGENCY 86]

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SENATOR WIGHTMAN: Thank you. Always assumed that it would be for the promotion of your product. [AGENCY 86]

KENNETH RHOADES: Yes. [AGENCY 86]

SENATOR HEIDEMANN: Senator Conrad. [AGENCY 86]

SENATOR CONRAD: Thank you, Mr. Rhoades. I'll echo Senator Wightman's comments. And we truly appreciate the time that you've taken out of your schedule to be here and to share this information. And I'll tell you, personally, as an urban senator, how much I've benefitted from the educational and promotional activities that this checkoff has paid for in helping me to gain a better understanding of your industry and how that impacts our state's economy. For example, I'm not sure if it's paid with checkoff funds or not, but the bean bad publication that goes around, I always enjoy reading that. I've tried a lot of the recipes in there. There's a lot of good stuff. I hope...I have. And I hope that Nebraskans know that these are the kind of real life practical applications that these dollars are used for. And I've said it once and I'll say it again, I believe that we have to put away our tired thinking about an urban/rural split in this state and realize that our dustiness are intertwined. And when rural Nebraska, western Nebraska primarily where your industry is based, suffers, that's hurts us in the cities and vice versa. So thank you for being here. And if you want to talk anymore about the specific applications these types of funds help support, we'd appreciate that. Otherwise, I'd want to be respectful of your time so you can get back home too. But thank you. [AGENCY 86]

KENNETH RHOADES: Thank you. [AGENCY 86]

SENATOR HEIDEMANN: Senator Hansen. [AGENCY 86]

SENATOR HANSEN: Thank you, Senator. Kenneth, explain just a little bit about your

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checkoff being refundable. Is that out of the norm of the checkoffs that we're going to hear...well, we've heard some while we're in here today. Is that a normal process, that being refundable? [AGENCY 86]

KENNETH RHOADES: No, I don't believe so. I think dry beans are one of the few exceptions to the rule that they are refundable. And like I say, we're not...we're less than three-tenths of 1 percent on our refund. And that's going back quite a few years. So it's basically stayed about the same. [AGENCY 86]

SENATOR HANSEN: After harvest, how long do they have to refund the money...ask for the refund of the money? [AGENCY 86]

KENNETH RHOADES: I think it's about three months. [AGENCY 86]

SENATOR HANSEN: Three months. Okay, thank you. [AGENCY 86]

SENATOR HEIDEMANN: Any other questions? I have a feeling our budgeting challenge is just about as great as your weather challenge out there this year. (Laugh) So appreciate you making the trip in. [AGENCY 86]

KENNETH RHOADES: Thank you. [AGENCY 86]

SENATOR HEIDEMANN: How many people are wishing to testify on this agency? Come on up. [AGENCY 86]

LORI LUEBBE: (Exhibit 12) Good afternoon, members of the Appropriations Committee and Senator Heidemann. My name is Lori Luebbe, L-o-r-i L-u-e-b-b-e, and I serve as the executive director for the Nebraska Soybean Association. And we just wanted to follow up here. My president, Deborah Borg, from Alan, Nebraska, is hauling grain today, so she was unable to come. But we wanted to officially get our position of

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opposition to transfer any commodity checkoff funds to the General Fund use. Our checkoff is a national program that was implemented in 1990 farm bill. Therefore, we are basically a federal mandated checkoff that every soybean contributes to that. So we're not directly affected by this, but a lot of our cousins in the other commodities, as well as probably pretty much all of our producers that pay the checkoff also pay another checkoff in the other commodities they grow. So we just wanted to officially go on record here with opposition to this. And I'd be happy to answer any questions.

[AGENCY 86]

SENATOR HEIDEMANN: Are there any questions? Seeing none, thanks. Is anyone else wishing to testify on Agency 86? Seeing none, we will close up the public hearing on Agency 86 and open up the public hearing on Agency 88, the Corn Board. We might have to go retrieve them. Welcome. [AGENCY 86 AGENCY 88]

ALAN TIEMANN: (Exhibit 13 and 14) Thank you very much. Thank you, Chairman Heidemann. Thank you, Chairman Heidemann and members of the committee. My name is Alan Tiemann, A-l-a-n T-i-e-m-a-n-n. I'm a corn and soybean producer for the Seward area. I'm here today as chairman of the Nebraska Corn Board and spokesman for the 26,000 corn producers in Nebraska that pay the corn checkoff. As a corn producer, I have one chance to collect a paycheck, and that's right now. We're all running behind in the field. I wish I could be there. My combine is sitting idle, but this is so important to all of us. I take my responsibility very seriously in representing our board and the producers. And I'm here to add our voice to the opposition of transferring checkoff dollars to the General Fund. I've never seen anything that has galvanized our industry more than when it was proposed to transfer checkoff dollars from seven checkoff programs to the General Fund. This issue has become very personal to all of agriculture. Why? Because checkoff funds were never intended to be part of General Funds. Farmers feel they already contribute through property, sales, and income tax. I want to address the question or reference of our checkoff dollars as excess or surplus. This cannot be any further from the truth. We cut \$815,000 out of various funding

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requests last June. If this transfer to the General Fund proceeds we'll start our next year's budget at \$275,000 in the hole, as you can see illustrated in the budget summary we've handed out. These are not passive dollars or programs. What we do with corn checkoff dollars not only helps develop markets for corn but they help beef, pork, poultry, ethanol, biodegradable plastics, and dozens of other programs. They're not just advertising programs, they help our agriculture industry to move...to be more successful and profitable so we can contribute to the General Fund in other ways. As a farmer operated organization we spend a great deal of personal time to ensure the dollars we invest are benefitting Nebraska producers. I'd like to cite some examples that Mark Jagels, from Davenport, serves on the executive committee for the U.S. Meat Export Federation. Former Senator Bob Dickey, from Laurel, is an officer with the National Corn Growers Association. John Holzfaster, from Paxton, is the chairman of the National Corn Growers Association Ethanol Committee. Dennis Gengenbach, from Smithfield, chairs our Research Committee. I also serve on the U.S. Grains Council Board of Directors. All of these commitments, plus many other responsibilities that our board participate in show the passion for agriculture and the desire to do what is right for Nebraska corn farmers. We operate at no cost to state government. We pay our own way. Lastly, it was never the intent for these dollars to be part of the General Fund. Agriculture is already contributing to the shared sacrifice through the contributions of the Nebraska Department of Agriculture and through the fact that agriculture needs to stay profitable so we grow the General Fund. Please refer to my full testimony budget page and top ten reasons why checkoff funds should not be part of this transfer to the General Fund. I believe the top ten reasons why checkoff dollars should not be considered tells the most concise story of why we are concerned. I'll stop at this time to allow the Nebraska Corn Growers Association to testify because it was the growers from across the state that carried the corn checkoff program to the Legislature in 1978, because it's money from their pockets that fund the Nebraska Corn Resource Act. At this time I'll willing to take any questions. Also in the room is the executive director of the Nebraska Corn Board, if we have any technical questions for him. [AGENCY 88]

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SENATOR HEIDEMANN: Thanks for coming in today, Alan. Are there any questions?
Senator Mello. [AGENCY 88]

SENATOR MELLO: Thank you, Chairman Heidemann, and thank you, Mr. Tiemann, for your testimony. A couple questions. One, have you or anyone associated with the Corn Board discussed with the Governor's Office his tax increase that falls within the commodities, since he's presented his budget? [AGENCY 88]

ALAN TIEMANN: Not that I'm aware of that we've directly spoken to the Governor.
[AGENCY 88]

SENATOR MELLO: There hasn't been any communication at all to the Governor of soliciting why he chose to increase taxes on corn farmers? [AGENCY 88]

ALAN TIEMANN: I'll refer that to Don. Not that I'm aware of. [AGENCY 88]

SENATOR MELLO: Okay. Well, I guess, that doesn't help the few other questions I had. So if you could help me understand a little bit more maybe about the Corn Board's makeup. You know, you mentioned that there's the Nebraska Corn Growers Association will get up and speak. [AGENCY 88]

ALAN TIEMANN: Right. [AGENCY 88]

SENATOR MELLO: Should I address them the questions as to kind of how the Corn Board is made up? Because it was my understanding that the Governor appoints the Corn Board. So I wanted to see if there was any... [AGENCY 88]

ALAN TIEMANN: I can address your question about the Corn Board. [AGENCY 88]

SENATOR MELLO: Okay. [AGENCY 88]

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ALAN TIEMANN: The Corn Board is comprised of nine farmer directors that eight are appointed, one serves at large, and that is me. And I'm elected by the rest of the board to serve. [AGENCY 88]

SENATOR MELLO: Okay, okay. Is there a...has there ever been...is that the way it's always been, I should say, is that how the Corn Board was started, so it's always a gubernatorial appointment? [AGENCY 88]

ALAN TIEMANN: Right. [AGENCY 88]

SENATOR MELLO: I guess my question would be, I find it odd that no communication and knowing that this is a Governor-appointed board, that no one at the Corn Board was informed at all that the Governor was going to raise taxes on farmers. Maybe it's a question I just...I find it a little unique knowing that everyone was appointed by the Governor, with the exception of you. But, I mean, that's something that...I take your word for it. So I'm just saying it's a question that I pose, and maybe it's something I can ask the administration after the hearings today then. [AGENCY 88]

ALAN TIEMANN: Okay. [AGENCY 88]

SENATOR MELLO: Thank you. [AGENCY 88]

SENATOR HEIDEMANN: Senator Conrad. [AGENCY 88]

SENATOR CONRAD: Mr. Tiemann, as you know, I represent north Lincoln in the Nebraska Legislature. But you are from my home district and my home community. And I wanted to extend a warm welcome to you here today. And I know how hard you work. I've seen it firsthand and know the sacrifice that it takes for you to leave in the midst of harvest to come down here. But thank you for your passion and advocacy on behalf of

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the farmers and agriculture and against this proposed tax increase. Your message has been heard loud and clear. [AGENCY 88]

ALAN TIEMANN: Thank you, Danielle. [AGENCY 88]

SENATOR HEIDEMANN: Senator Hansen. [AGENCY 88]

SENATOR HANSEN: Thank you, Alan. It is good to have you here off the combine for a little bit. Hope you get back. Can you tell us the difference between the Corn Board and the Corn Growers. And the aspect that you were in charge of collecting dollars for research, education, promotion only has nothing to do with policy, is that correct? You can expand on it if you want. [AGENCY 88]

ALAN TIEMANN: Yeah, the growers are a dues paying membership. And... [AGENCY 88]

SENATOR HANSEN: Voluntary dues paying. [AGENCY 88]

ALAN TIEMANN: ...voluntary. And as part of their duties, their task is to deal with the Legislature. As you know, as the Corn Checkoff Board we're not allowed to lobby the Legislature. And so that's one of the major functions of the Growers Association that they do on behalf of all 26,000 corn growers in the state. [AGENCY 88]

SENATOR HANSEN: Thank you. [AGENCY 88]

SENATOR HEIDEMANN: Senator Nordquist. [AGENCY 88]

SENATOR NORDQUIST: Yeah. Thank you for joining us again. Do you think at some point, whether it's, you know, with corn growers or any other commodity in Nebraska, that the growers are going to say, we don't trust state government to keep their hands

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off our money anymore, let's...we might need to move outside of government and set this up as a nonprofit of some sort or do it through the Corn Growers Association? Do you think with this kind of proposal on the table now that the potential is there for that kind of discussion? [AGENCY 88]

ALAN TIEMANN: Obviously, there could be discussion. And, you know like I said, I sit on a nine member board. This is something that, you know, would definitely be discussed by the board. [AGENCY 88]

SENATOR NORDQUIST: All right, thank you. [AGENCY 88]

SENATOR HEIDEMANN: Senator Mello. [AGENCY 88]

SENATOR MELLO: Thank you, Chairman Heidemann. One last question, Mr. Tiemann. Has this ever, knowing that I'm relatively new to the Legislature, elected just last year. Has this ever been done before as far as your memory has served, that the Governor has ever come in to take specific checkoff dollars from the commodity boards to fund, for example, his Policy Research Office, or the Department of Revenue, or any General Funded agency? Has that ever happened before? [AGENCY 88]

ALAN TIEMANN: My understanding is, and this was long before my time, is that there was something back in the eighties where this issue came up before. But it was squashed immediately and never followed through. [AGENCY 88]

SENATOR MELLO: Okay. All right, thank you so much. [AGENCY 88]

SENATOR NELSON: Senator Nelson. [AGENCY 88]

SENATOR NELSON: Thank you, Chairman Heidemann. And thank you, Mr. Tiemann. How long has this checkoff been going on, the number of years, if you know? [AGENCY

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88]

ALAN TIEMANN: It's the same year I graduated from high school, 1978. [AGENCY 88]

SENATOR NELSON: Okay. And how is the amount established? And is there a vote every once in awhile on the amount of the checkoff? [AGENCY 88]

ALAN TIEMANN: The Legislature set the limits on the checkoff, back when it was established, at four-tenth of 1 cent. I might refer to Don as to how it progressed. I know we're at one-quarter of a cent right now, but it's had possibly two changes? [AGENCY 88]

DON HUTCHENS: From one-tenth to one-fifteenth, to one-quarter. [AGENCY 88]

SENATOR NELSON: And that is set by the Legislature? [AGENCY 88]

ALAN TIEMANN: Actually, the Legislature has set it at four-tenths, we as a board, with the support of all ag organizations, could go to four-tenths with the Governor's signature. [AGENCY 88]

SENATOR NELSON: Would you have to vote on that going up? [AGENCY 88]

ALAN TIEMANN: Yes, we would as a board, we would have to vote on that. And then refer it to the Governor and the Governor would have to sign off on us going from one-quarter of a cent to four-tenths of a cent. But that was...is within our legislative mandate. [AGENCY 88]

SENATOR NELSON: Okay. The move on the Governor's part here is just simply to reduce some of your cash funds, is that right? [AGENCY 88]

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ALAN TIEMANN: Yes. [AGENCY 88]

SENATOR NELSON: Would you characterize that as a tax increase? [AGENCY 88]

ALAN TIEMANN: Definitely. [AGENCY 88]

SENATOR NELSON: And because? [AGENCY 88]

ALAN TIEMANN: Because these are farmer funds paid for by farmers to do specific things for agriculture, for the corn producers. These were never intended to be general tax funds. So if he takes them out and puts them in the general tax fund, they become a tax that has never existed before. [AGENCY 88]

SENATOR NELSON: All right. Are you going to have to...if this were to be approved by the Legislature, would you have to go back to your producers then and ask for some additional checkoff, do you think, to manage your program? [AGENCY 88]

ALAN TIEMANN: Well, the Governor says no new taxes. And if he considers our checkoff a tax, he's not going to raise it. And he has the final say on whether we go from a quarter of a cent to four-tenths of a cent. [AGENCY 88]

SENATOR NELSON: So your position is, if I understand you, that by meddling with this, so to speak, the Governor is considering it a tax. [AGENCY 88]

ALAN TIEMANN: Yes. [AGENCY 88]

SENATOR NELSON: All right. Thank you very much. [AGENCY 88]

SENATOR HEIDEMANN: Senator Wightman. [AGENCY 88]

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SENATOR WIGHTMAN: Thank you, Mr. Chairman. Thank you, Mr. Tiemann, for being here and the sacrifice you made in coming to testify today. Actually, the statute that sets up the Corn Board pretty much designates what this money can be used for. [AGENCY 88]

ALAN TIEMANN: Yes. [AGENCY 88]

SENATOR WIGHTMAN: For promotion of the product, primarily, isn't it? [AGENCY 88]

ALAN TIEMANN: Yes. [AGENCY 88]

SENATOR WIGHTMAN: It doesn't say anything about any other...ever going to provide relief to the General Fund of the state of Nebraska as I recall. [AGENCY 88]

ALAN TIEMANN: That's correct. [AGENCY 88]

SENATOR WIGHTMAN: You said the Governor would have the final say on going to four-tenths of a cent. But it would take something from your Corn Board to initiate legislation. And the legislation would have to be initiated first. He may have the final say on whether it could go that high but... [AGENCY 88]

ALAN TIEMANN: The legislation is in place already to go to four-tenths. That was the mandate set forth in 1978 that says we had up to that limit that we could set the checkoff rate. And so it's now referred to that it's changed all these times and required no legislative action to change the rate, as we have to get to a quarter of a cent. Only that the Corn Board vote to do it and that the Governor sign it. [AGENCY 88]

SENATOR WIGHTMAN: But the Corn Board had to propose that, the Governor couldn't by his own initiative. [AGENCY 88]

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ALAN TIEMANN: Oh, yes, the Governor...right, right. The Governor did not initiate it, it would be the Corn Board that would initiate and ask the Governor to do so. [AGENCY 88]

SENATOR WIGHTMAN: Now if you were to completely eliminate any assessment or any checkoff dollars for this, can that be done by the Corn Board or would that take action by the Legislature? [AGENCY 88]

ALAN TIEMANN: I had never considered that. [AGENCY 88]

SENATOR WIGHTMAN: Thank you. [AGENCY 88]

SENATOR HEIDEMANN: Seeing no further questions, will the combine be running tonight yet? [AGENCY 88]

ALAN TIEMANN: In 45 minutes. (Laughter) [AGENCY 88]

SENATOR HEIDEMANN: Thank you. [AGENCY 88]

ALAN TIEMANN: Thank you. [AGENCY 88]

SENATOR HEIDEMANN: How many people plan to testify on this agency? One more. Thank you. [AGENCY 88]

BRANDON HUNNICUTT: (Exhibits 15 and 16) First, I'd just like to introduce some testimony on behalf of the Nebraska Feed and Grain Association. They're unable to make it here today but they wanted that introduced into the record. Chairman Heidemann and members of the Appropriations Committee, my name is Brandon Hunnicutt, B-r-a-n-d-o-n H-u-n-n-i-c-u-t-t. I'm president of the Nebraska Corn Growers Association and a corn and soybean farmer in the Giltner area. I'd like to thank the

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committee for allowing me to share a few thoughts today. I believe the issue involving the use of corn checkoff funds is critical and worth taking time away from my family farm during this incredibly busy time of year. In 1978 corn farmers from across Nebraska came together to work with the state Legislature to pass the Corn Resources Act. This act created the corn checkoff. It allows farmers to invest in themselves with every bushel they sell. The farmer members of the Nebraska Corn Growers Association played a key role in getting the checkoff established. These individuals understood what we could do by investing our own money into research, market development, and promotion. They designed the checkoff to be 100 percent self-funded so farmers would manage their investment and choose the research projects, marketing development programs and promotion efforts that made the most sense for farmers. Along the way, these investments have paid dividends for farmers and the state as a whole. You see, the research our investment supports helps cattle producers take advantage of feed products produced by ethanol plants. It helps develop and create innovative products, like renewable bioplastics, that are made right here the state. It helps get Nebraska pork and beef into Japan, China and other global markets, which adds value to every animal in the state that's raised on Nebraska corn and related feed products. All of this maintains and creates new markets for the corn produced by some 26,000 Nebraska farmers, all of whom contribute to the corn checkoff. This also generates important economic activity within Nebraska. And the strength of the agriculture industry has certainly kept Nebraska from the worst of the economic doldrums this country is facing. And, as well it will be agriculture that leads us out. While we recognize the difficult financial situation the state is facing, I believe, as do farmers across the state, that it is wrong to take farmers' money that we agreed to invest in ourselves and in our future and use it for something else. Farmers contribute greatly to this state in the form of sales taxes, property taxes, and income taxes, plus our operations and those we support employ thousands and multiply that contribution many times over. Commodity checkoff funds are an investment made by farmers for farmers. And the authority on how to use our investment, our money, should be left in our hands. Thank you.

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SENATOR HEIDEMANN: Thank you for testifying today. Are there any questions?
Thank you. [AGENCY 88]

BRANDON HUNNICUTT: Thank you. [AGENCY 88]

SENATOR HEIDEMANN: Welcome. [AGENCY 88]

MICHAEL KELSEY: Good afternoon, Senator Heidemann, members of the committee. My name is Michael Kelsey, M-i-c-h-a-e-l K-e-l-s-e-y. I'm the executive vice president of the Nebraska Cattlemen, standing here or sitting here to testify this afternoon for Agency 88, the Nebraska Corn Board. You might wonder why in the world would a cattleman be before you when the beef checkoff, if you will, is not in question here and specifically the corn checkoff? And then...but you've also, as you all of you have labored through several days now, other checkoffs that have been before you. We stand united next to our brothers and sisters in terms of the integrity and the intent of the checkoff programs--why they were established, specifically who they were established by, and the purpose for them. We would ask that you consider that as you make your decisions, the very difficult decisions that you have to make. And there are many types and forms and proposals that you'll see. But we would ask that you understand, and we think you do, but you understand the integrity behind why these programs were established in the first place, if you will. And keep these funds where they were designated, and that is for producers, by producers to use in their promotion. We have a great working relationship with the Corn Board. One of the reasons the Nebraska cattle industry is so healthy is because of the feed resources that we have. There's been times in the past with the cattle and the corn industry have been at odds over certain policies. But I would call to your attention the great working relationship that we have in that the Corn Board, and I will compliment them, and the corn producers have continued to provide an overwhelming amount of feed supply. Price is a concern for cattlemen, but supply is the concern more than anything else. And the use of the corn checkoff dollar to do

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research, to investigate new varieties, to increase that yield year after year after year has been substantial, has been very beneficial not only to our industry but to the state industry as a whole. If you take those checkoff dollars and move them to other places that basically undermines the integrity of the association or the purpose. So we would ask that you consider that in your deliberations. Be happy to answer any questions if I could. [AGENCY 88]

SENATOR HEIDEMANN: Senator Hansen. [AGENCY 88]

SENATOR HANSEN: I have one. Thank you, Mr. Chairman. Mr. Kelsey, can you tell me how you can expect to get a Nebraska steak on a table at a high end Japanese restaurant without Nebraska corn? [AGENCY 88]

MICHAEL KELSEY: Can't be done. [AGENCY 88]

SENATOR HANSEN: Okay, thank you. (Laughter) [AGENCY 88]

MICHAEL KELSEY: I trust you all will be consuming one this evening. (Laughter) I see nods of heads; that's good. [AGENCY 88]

SENATOR HEIDEMANN: Are there any other questions? Thanks for coming and supporting your fellow brothers and sisters. Until this issue come up, we didn't realize there were so many brothers and sisters out there. [AGENCY 88]

MICHAEL KELSEY: (Laughter) Understood. [AGENCY 88]

SENATOR HEIDEMANN: Is there anyone else wishing to testify on Agency 88? Seeing none, we will close up the public hearing on Agency 88 and open up the public hearing on Agency 92, the Grain Sorghum Board. Welcome. [AGENCY 88 AGENCY 92]

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JOHN DVORACEK: (Exhibit 17) Thank you, Chairman Heidemann and members of the committee. My name is John Dvoracek, and that is J-o-h-n D-v-o-r-a-c-e-k. I am a sorghum producer from Farwell, Nebraska. I currently serve as chairman of the Nebraska Grain Sorghum Board. I appreciate the opportunity to spend a few minutes with you this afternoon to outline the impact of proposed transfer of funds from the farmer-funded, farmer-directed self-help program. While the amount of money proposed to be transferred from the grain sorghum is a small amount in the grand scheme of things, it is a significant amount in our overall program. Specifically, the Governor's proposal would redirect a one-time transfer of \$50,000, and an across the board transfer of \$7,600 this current fiscal year, and an across the board transfer of \$15,200 for the 2010-2011 fiscal year. How does this impact our budget? The Grain Sorghum Board's operating budget for the current fiscal year is \$118,386. The \$57,600 transfer of funds would wipe out nearly 49 percent of our operating budget. Put it another way, the board's budget provides for an ending cash balance of \$62,860. We have a board policy that requires an ending cash balance of at least \$200,000 or 35 percent of the total revenue cash in the final adopted budget, whichever is less. Due to the challenging growing season and protracted harvest, Nebraska Ag Statistics Services lowered the projection of the number of sorghum acres harvested for grain by 25,000 acres. That alone transfers to a \$10,000 decline in revenue income. Coupled with the proposed transfer of \$57,600 the board would end the year with a negative ending cash balance of \$4,740. The Grain Sorghum Board runs a very conservative program with one staff person at .80 FTE. It would be impossible for the board to handle a cash transfer of the level recommended without slashing research, marketing, education programs, and further reducing staff. The state of the sorghum industry...declining sorghum acres in production over the past years have led to decreased private investment in research and development for sorghum. These declines brought about a technology gap between sorghum and other crops. Since 1984, the sorghum industry has experienced a drop in acres across the entire growing region of the United States. Twenty-one states produce sorghum on about 8.3 million acres, primarily dryland. The top five states are Kansas, Texas, Nebraska, Louisiana, and Oklahoma. This loss of acres is due to a variety of

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reasons such as government land idling, expansion of irrigation, and decreased research and development in yield advantages and weed control. It is not an understatement to say that this is a very critical time for research...this is a very critical time for sorghum. Research and market development and education programs have never before been as important as to this crop as it is right now. Recognition of the seriousness of the program has led to the implementation of a national sorghum checkoff--The United Sorghum Checkoff Program that went into effect on July 1 of 2008. The Nebraska Grain Sorghum Board has applied for and has been approved by the Secretary of Agriculture as a qualified state checkoff program to receive pass-back funds from the national program. As a qualified program, the board is also eligible to apply for project funds to conduct communication, education and marketing programs. To date, the board has applied for and was approved for around \$13,000 in project funds. Additional projects are pending approval. The board's pass-back has only been...recently been approved by the Secretary of Agriculture. However, the funds have not yet been received. The transfer of producer dollars from the sorghum board into the General Fund would leave us unable to carry out the national programs we have applied for and committed to conduct. The commitment of support made by the board to the development market programs of the U.S. Grains Council could not be honored. Research and extension efforts supported at the University of Nebraska would also be halted. You've heard it many times over in the course of these hearings, but it is worthy of stating one more time, checkoff dollars are invested by producers for the purpose of research, market development, and education programs so they might profit from the progressive, competitive and adaptive industry. The Grain Sorghum Board, the same as all the other commodity boards, has always been and remains committed to efficiently and effectively investing these producer checkoff dollars to promote our industry and to increase producer profitability. I'll happily answer any of the questions you have for me. [AGENCY 92]

SENATOR HEIDEMANN: Are there any questions? Senator Wightman. [AGENCY 92]

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SENATOR WIGHTMAN: Thank you, Mr. Chairman. Thank you, Mr. Dvoracek, for being here. Can you tell us, relative to the quarter of a cent that the corn board added to the checkoff, what your checkoff is? [AGENCY 92]

JOHN DVORACEK: One cent per hundred weight would be the sorghum. [AGENCY 92]

SENATOR WIGHTMAN: Okay. Now it sounds like they just got up the National Grain Sorghum Board. Will that mean the elimination of your board as a statewide...a state board? [AGENCY 92]

JOHN DVORACEK: That just all depends. We have to, as it has been, we have been struggling to have enough money to be able to hold a full-time position or even a part-time position, you know, for our executive director. And at the current time, the pass-back from the national will not pay for an executive director at the state level here. The problem with that being also is the national referendum will be up for a vote, I think, in 2011. And until we...until that national sorghum or that national referendum is voted upon, we don't know, in 2012, if there will be a national grain sorghum checkoff. And I feel or the board has always felt that it's very important for us to remain functional or operating until at least 2011. In 2011, we may make the decision to go just to the national checkoff. And we may not check or receive state funds. That all just depends upon, you know, how the money comes back. To get anything from the national checkoff you have to write up projects and everything, and then you have to submit it. And it's not a continuous flow, it's kind of a...looks like it will be an up and down proposition. So you never will know exactly how much money you have. And that will be hard to maintain staff if we go off of that just alone. [AGENCY 92]

SENATOR WIGHTMAN: But in the mean time, you want to continue to promote your product. [AGENCY 92]

JOHN DVORACEK: Yes. [AGENCY 92]

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SENATOR WIGHTMAN: And you have declining dollars because of the drop in acreage of grain sorghum. Is that correct? [AGENCY 92]

JOHN DVORACEK: Yes, that is very true. The CRP program hit us very hard. I think there was...there was a tremendous amount...drop in acres there because sorghum has been traditionally planted on marginal lands. And CRP was basically a program to take marginal lands out of production. So that really hurt us. [AGENCY 92]

SENATOR WIGHTMAN: You have also suffered in acres as corn and soybeans have developed varieties that do better on dryland than (inaudible)? [AGENCY 92]

JOHN DVORACEK: That, too, and Roundup ready corn has probably been a big factor too. The other bright spot for sorghum though is the fact that we are not a GMO. And that gives us an opportunity to get into some countries with our exports that, you know, your traditional, like soybeans and corn, and nothing against the GMO products. But that is...there are certain countries that look at us, the sorghum because of that fact, it's not a GMO. [AGENCY 92]

SENATOR WIGHTMAN: Thank you. [AGENCY 92]

SENATOR HEIDEMANN: Are there any other questions? How's harvest going? [AGENCY 92]

JOHN DVORACEK: Well, I'm done with the sorghum. I got corn ahead of me. So...but that's awfully wet yet, so... [AGENCY 92]

SENATOR HEIDEMANN: Yep. [AGENCY 92]

JOHN DVORACEK: And it will be at least three or four hours before my combine is

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running. It's a little ways home. Thank you very much. [AGENCY 92]

SENATOR HEIDEMANN: Thanks for coming in today. Is anyone else wishing to testify on Agency 92? Seeing none, oops. [AGENCY 92]

LARRY DEDIC: Good afternoon. My name is Larry Dedic, L-a-r-r-y D-e-d-i-c. I'm also on the Grain Sorghum Board, but I'm here representing myself. Because of the proposal that's being three of the four crops that I raise will be impacted. I raise corn, grain sorghum, soybeans and wheat; wheat not every year, depending on the...when it's feasible agronomically and weatherwise. So this proposal has definitely given me some heartburn. I ditto everything that's been said by the other commodity groups. One thing I would like add, too, is part of the sorghum checkoff funds and the Corn Board checkoff funds goes to support the U.S. Grains Council. And that effort is to promote corn, sorghum and barley across the world, across the globe. So those efforts have definitely impacted our balance our trade. Our U.S. balance of trade, of course, is in a deficit. But agriculture commodities are the bright spot in reducing that deficit. And the U.S. Grains Council has been an instrumental part in that. So every dollar or thousand dollars or ten thousand dollars that the Nebraska Corn Board would decide not to send to the U.S. Grains Council or the Nebraska Grain Sorghum Board not to send to the U.S. Grains Council would reduce those global efforts, not only by that dollar but by a matching amount of money from the federal government. And Mr. Tiemann is on the U.S. Grains Council Board, so he could give you a better idea of what that match is. Sometimes I think it's a one to one, sometimes it's even more, like two to one. So that is the only thing that I wanted to add to what was said previous. So I'd entertain any questions. [AGENCY 92]

SENATOR HEIDEMANN: Are there any questions? Thanks for coming in today. [AGENCY 92]

LARRY DEDIC: You bet. [AGENCY 92]

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SENATOR HEIDEMANN: Is anyone else wishing to testify on Agency 92? Seeing none, we will close the public hearing on Agency 92 and open up the public hearing on Agency 28, Department of Veterans' Affairs. Welcome. [AGENCY 92 AGENCY 28]

JOHN HILGERT: Thank you. Good afternoon, Mr. Chairman, Senator Heidemann and members of the Appropriations Committee. I am John Hilgert, J-o-h-n H-i-l-g-e-r-t, director of the Nebraska Department of Veterans' Affairs. With me today is Dan Parker, my deputy director of the department. I would like to take this opportunity to thank the committee for the opportunity to provide any information you might need regarding our agency budget as recommended by the three programs that comprise the Nebraska Department of Veterans' Affairs. They are Program 36, Department of Administration, which consists of all the agency administrative functions, benefit programs, and the state service office. Program 37, which is the administration, operation and maintenance of the state Veterans' Cemetery at Alliance. And Program 937, which is the continued construction for the state Veterans' Cemetery at Alliance. We realize, from our day-to-day contacts with the veterans that we serve, many are experiencing difficult situations as our other citizens of Nebraska based on the current state of the economy. The department has reviewed the budget recommendations set forth for our agency and will continue to serve Nebraska veterans and their dependents within the funding as proposed. Again, we thank the committee for the opportunity to testify. And that concludes our testimony. I'd be happy to answer any questions. I would like to thank your committee staff--very, very professional and easy to work with. [AGENCY 28]

SENATOR HEIDEMANN: Duly noted. Are there any questions? Seeing none, thanks for coming in today. [AGENCY 28]

SENATOR CONRAD: And a happy Veterans' Day coming up. [AGENCY 28]

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JOHN HILGERT: Thank you very much. [AGENCY 28]

SENATOR HEIDEMANN: Is anyone else wishing to testify on Agency 28? Seeing none, we will close up the public hearing on Agency 28, open up the public hearing on Agency 16, Department of Revenue. Welcome. [AGENCY 28 AGENCY 16]

DOUG EWALD: (Exhibit 18) Good afternoon. Chairman Heidemann, members of the Appropriations Committee, my name is Doug Ewald, that is D-o-u-g E-w-a-l-d, Nebraska Tax Commissioner. I appear before you today representing the Department of Revenue and the various programs administered by the department. In the interest of the committee's time and consistent with your desire to have testimony be brief and short and to the point, I'll keep my prepared remarks very brief. In the three years I've been Nebraska's Tax Commissioner, my focus has been on creating an agency that is both efficient and effective with the emphasis on customer service. I believe the department's original budget submission for this biennium allowed us to continue our focus.

Unfortunately, the national recession is having an impact on our state, therefore we are called into action to reevaluate our spending plans. I believe that the Governor's recommendations for the Department of Revenue are something we can manage. Tough decisions are being made across the state and the Department of Revenue is ready to be part of that statewide solution. I thank you for your time today. At this point in time I'll open it up to any and all questions you have with respect to our agency, vacancies, anything you'd like to talk about I'm at your disposal here. [AGENCY 16]

SENATOR HEIDEMANN: Senator Conrad, then Senator Hansen. [AGENCY 16]

SENATOR CONRAD: Thank you, Mr. Chairman. Thank you, Commissioner. I have one question and if it's beyond the purview of your office, I'd be happy to redirect it. But we didn't have a chance to talk about it too much this morning when the university was in. But as you may be aware, there is a proposal to switch out some General Funds and replace them with revenues from lottery funds within the context of the university

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budget, I think to the tune of about \$10 million or so. And it's my understanding that those receipts and revenues in relation to those lottery proceeds are a bit higher than had been in the past. And that's why that's available as an option. Is that true? Or could you shed a little light? I don't want to mischaracterize how that transfer works into the overall picture, but I was hoping maybe you could provide me with just a little insight about how that works. [AGENCY 16]

DOUG EWALD: Yes. There are, by statute there are specific recipients or beneficiaries to the Nebraska lottery. And Nebraska lottery has done an outstanding job. The last year, when we saw the national level decline, we actually had some growth in lottery ticket sales in the last year. And we are here before you this last year asking for additional dollars because we have contractual obligations to pay the venders as such, based on the percentage of sales. Now that being said, I think there are some additional dollars that are available. Now the only question I have, I don't know the specifics there, but there is a Supreme Court...not a Supreme...a general...an Attorney General's Opinion with respect to the transfer of funds from the lottery. I believe back in the 2002-2003 time frame there was about \$5 million taken from the lottery to give to the General Fund to support the state at that point in time. There was a subsequent action, a year or so later, by a senator asking for funds for something else. And there was an opinion that was put out there by the Attorney General whether or not the funds could be used for something like that. So I don't know the specifics of that. I caution you maybe to find out specifically on whether or not that falls within the purview of those funds or how they can be used up and above, beyond that 45 percent or whatever it is that is given to educational scholarships and the like. [AGENCY 16]

SENATOR CONRAD: Okay, thank you. That's helpful. [AGENCY 16]

DOUG EWALD: I do have a copy of the Attorney General's Opinion with respect to that, if that would be helpful. [AGENCY 16]

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SENATOR HEIDEMANN: You can enter that in. [AGENCY 16]

DOUG EWALD: (Exhibit 19) I only have one, so... [AGENCY 16]

SENATOR HEIDEMANN: We can... [AGENCY 16]

DOUG EWALD: Okay. I thought that might come up possibly, so we...I had somebody send that to me at the last minute. [AGENCY 16]

SENATOR HEIDEMANN: Senator Hansen. [AGENCY 16]

SENATOR HANSEN: Thank you. Commissioner Ewald, my question was very similar to Senator Conrad's, where last year I really questioned whether or not the lottery funds in the state of Nebraska were going to be on the increase, as you suggested. And evidently they are. Can you explain just a little bit how much? [AGENCY 16]

DOUG EWALD: Well, last year I think we were to the tune of 2 to 3 percent above the prior year. Now that was...I think we were forecasting 0 to maybe 1 percent, something along those lines. So because of that we had, I want to say, somewhere around \$130 million in actual lottery sales. I will say this much for our lottery, it is run very much like a business. It is probably the leanest lottery operation you'll see across the nation. [AGENCY 16]

SENATOR HANSEN: Thank you. [AGENCY 16]

SENATOR HEIDEMANN: Senator Mello. [AGENCY 16]

SENATOR MELLO: Thank you, Chairman Heidemann, and thank you, Commissioner Ewald. One issue and, I guess, it looks a little bit...it affects, kind of, where we're at now with the budget crisis we're in. But more importantly, I think it takes kind of more of a

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longer term approach of some issues that the Appropriations Committee and the Legislature will need to deal with in the next 10 to 20 years. And that issue involves the sewer separation project in the city of Omaha. As you might be aware, the city of Omaha, due to a mandate by the Environmental Protection Agency, is required to separate its existing combined sewer overflow system to have two separate sewers, which essentially is a massive infrastructure project for the city of Omaha to the tune of \$1.4 billion. Now it's my understanding that the Metropolitan Utilities District, who is in charge of collecting the infrastructure fee to pay for this \$1.4 billion project, is that all funds associated with this infrastructure fee is apparently taxable through state sales tax, which equates to essentially a double tax on this infrastructure project for people who fall within the Metropolitan Utilities District area of service. My calculations that I requested from MUD in regards to bringing this issue to light, hopefully so that we can start a policy discussion is that next year alone there is close to \$22.5 million that will be associated with this infrastructure fee to be assessed to MUD users. That equates to roughly close to \$1.2 million in state sales taxes. The estimates that kind of we...the rough estimates that we received for this entire project, over the course of the lifetime of this 10 to 15 year project, it's close to \$77 million the state is going to receive in a double taxation based on existing state law. Is this anything that the Department of Revenue has kind of worked out or at least discussed within the city of Omaha or people who fall within this Douglas-Sarpy County area? Because that seems to be an awful large increase of sales taxes that, unless you're from the Omaha area, you're not really fully aware of that project. [AGENCY 16]

DOUG EWALD: I can say this much, I have not had any specific conversations with the city of Omaha, anyone in that office with respect to this particular issue. Now I would say this, with respect to tax policy in the state we are what we call a gross receipts state. So because of that all the gross items that add up together are part of that gross calculation for sales tax, and it's just not with this, it's with other things as well. [AGENCY 16]

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SENATOR MELLO: Okay. [AGENCY 16]

DOUG EWALD: So you're right, Senator, it's a very large number. Over the billions of dollars, or whatever, is a huge number anyway. And I think it's gross receipts. I haven't had any conversation with the city's office with respect to this particular issue, although we have had other conversations. [AGENCY 16]

SENATOR MELLO: Do you see this \$77 million as a double tax, essentially? I mean, it's an infrastructure fee on utility bills that, as you said, gross receipts are all hit with sales tax, both the city and the state sales tax. Would you see this as a double tax on an already large infrastructure fee that's being placed on ratepayers? [AGENCY 16]

DOUG EWALD: That's hard to say. I mean, given the letter of the law with respect to how the statutes are written today, it's hard for me to say it's a double tax because of the statutes, the way they are construed and the way they are written. It's a separate fee, yes. I mean, is it...it's not any different than an occupational tax or something along those lines anyway. You can argue one way or another with respect to that. But the way our statutes are composed today I can't say it's a double tax because of the way they are construed. [AGENCY 16]

SENATOR MELLO: Is there....has the department at all run any numbers to estimate what the tax benefits that the state would receive through this \$1.4 billion project? [AGENCY 16]

DOUG EWALD: We have not run any analysis with respect to that, no. We haven't been asked to and we haven't done that on the side. [AGENCY 16]

SENATOR MELLO: Okay. All right, thank you. [AGENCY 16]

SENATOR HEIDEMANN: Senator Wightman. [AGENCY 16]

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SENATOR WIGHTMAN: Thank you, Mr. Chairman. Thank you, Mr. Ewald. This tax that Senator Mello is talking about is also imposed on public power districts, on products, materials that they bring in. It's not just the city of Omaha,... [AGENCY 16]

DOUG EWALD: Yes. [AGENCY 16]

SENATOR WIGHTMAN: ...it's any number of utilities across the state of Nebraska. [AGENCY 16]

DOUG EWALD: Correct. That would be correct. And we also had, there was a bill that passed last session with respect to net metering. And we believe that the net amount that you might sell back to the grid is a separate transaction and that's not netted out of the sales tax component as calculated. The revenue statutes were not adjusted in the last session. I understand there might be something this next year. But it's comparable to that, it's across the board. [AGENCY 16]

SENATOR WIGHTMAN: Thank you. [AGENCY 16]

SENATOR HEIDEMANN: Senator Nordquist. [AGENCY 16]

SENATOR NORDQUIST: Thank you for joining us. Have there been any calculations done to estimate the amount of money that was lost to the General Fund in general sales tax revenue during the Cash for Clunkers Program, where individuals went out and purchased motor vehicles in lieu of a washing machine or a refrigerator and how much money the Highway Trust Fund gained, essentially, that was lost out of the General Funds? [AGENCY 16]

DOUG EWALD: I believe that we may have some calculations with respect to that, that I will get to the committee here. You're right on, Senator, in that the Cash for Clunkers,

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the sales tax associated with those vehicles goes directly to the Department of Roads. Now that being said, our sales tax wasn't off significantly the last couple months. And we know it played somewhat of a factor into that. And I know we have some information on that. So I'll get that to the committee. I believe we have some stuff for September, and in another month or so we'll have the October stuff. [AGENCY 16]

SENATOR NORDQUIST: I'd appreciate that. [AGENCY 16]

SENATOR HEIDEMANN: Are there any other questions? Seeing none, thank you. [AGENCY 16]

DOUG EWALD: Thank you. [AGENCY 16]

SENATOR HEIDEMANN: Is anyone else wishing to testify on Agency 16? Seeing none, we will close the public hearing up on Agency 16 and open up the public hearing on Agency 36, the Racing Commission. [AGENCY 16 AGENCY 36]

TOM SAGE: Good afternoon, senators. Thank you for giving me the opportunity to speak before you. Thank you for your hard work and the hard work you have forth in the next couple of weeks. I'd also like to thank Mr. Gibbs for his outstanding advice that he has given me. On a positive note, before I start, the DOW was up, the year high. Hopefully, we have some good financial news. My name is Tom Sage, last name spelling is S-a-g-e. I'm the executive secretary of the Nebraska Racing Commission. In 1935, the Racing Commission was created by legislation. The purpose was to provide statewide regulation to horse racing and to prevent and eliminate practice in fraudulent behavior and maintain a high level of honesty in the racing industry in our state. The Racing Commission is somewhat unique. We're a regulatory agency that is 100 percent cash funded. But our industry also generates funds for the General Fund, this is through pari-mutuel tax, claimed horses, basically horses sold on the racetracks or their sales tax. Since 1935, millions have been raised for the General Fund. More recently, in 2008,

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approximately \$230,000 was generated and put into the General Fund, that was from the pari-mutuel tax. Roughly, \$12 million was generated by...or excuse me, \$12,000 was generated by sales tax. Also, all our fine money collected is put into a school fund for the districts where our tracks run and the fines occur. This, in '08, was almost \$13,000; so far this year it's about \$12,000. With the Racing Commission having to take a 2.5 and a 5 percent respectively from our cash fund, I feel we'll have a very difficult time meeting our statutory duty to maintain the integrity of racing. Why I feel this way, our major funding mechanism for the Racing Commission we receive .64 of 1 percent of the mutuel handle. This funding mechanism has been dramatically reduced due to the economic decline and our decline in pari-mutuel handle. As of the end of September 30 of 2009, pari-mutuel handle was down 22.5 percent over our handle of last year in the same time period. This is actually better than the national trend in horse racing, it's 25 to 30 percent, but it's still very dramatic for us since that's our funding mechanism. Over the last four years, our handle has declined from a high of \$103 million to a low of \$97 million. My projects so far for this year, and yes they're just a projection, is \$85 million, considerable reduction in handle, considerable reduction of our funding mechanism. We as an agency realized that there was a dramatic downturn going to occur not only racing but the economy in general. We began innovative ideas of trying to save money, trying to save our cash fund. For the last couple of years we have taken our state steward's position, which was a full-time one FTE, reduced him to a half time employee during the winter months, saving a considerable amount of money, approximately \$12,000. We've moved our headquarters office from the State Office Building to the Whitehall Mansion in northeast Lincoln. That was a reduction of cost for us. We have reduced travel costs by not having as many commission meetings, so we don't have to pay the commissioners to travel. We have negotiated very good rates in motels throughout the state where our employees stay at. We were fortunate to hire a veterinarian who all he wanted was an hourly salary and vacation. He didn't want any health benefits. That was a savings of approximately \$11,000. We've had to cut training for our one investigator. This would include a firearms training for him that's been reduced from four times a year to two times a year. Just every little piece that we could find we have been trying to

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save knowing that we were going to have a decline. Last biennium or this current biennium, '09 to 2011, we asked for no increase. We knew that we didn't have the revenues coming in, so we knew we couldn't ask for more money. We absorbed our salary increases within what we had. Currently, as of October 31, our cash fund is \$183,000. Out of that \$183,000 we have \$52,000 in liabilities, which would include vacation, sick leave payments for two eligible employees that are eligible for retirement. Hopefully, they don't do that soon but are eligible. I feel that money needs to be retained absolutely in our cash fund for those liability payments. For calendar year 2008, we used \$16,000 from our cash fund. We spent \$16,000 more than we brought in. So far this calendar year, through October 31, we've used almost \$60,000, just shy of \$60,000 from our cash reserve fund. This is due to the declining in revenue. We feel that taking the approximate \$66,000 as recommended by the Governor from our cash fund this biennium it will put us in great jeopardy. And I would ask, let me get through this biennium. If I have excess cash, take it from me the next biennium, but this is not the time. With our declining in revenue I fully need that money to stay solvent. The horse racing has provided a tremendous amount of money to the agriculture industry in our agriculture-related state. We don't want to see racing go away. In closing, I would ask that the committee...or recommend that the committee not transfer cash from the cash fund. But we are well prepared to accept the 2.5 and the 5 percent, respectively, budget cut. We've done that. We have no problem with that. I probably wouldn't have a problem if that was a little higher even. But don't touch my cash fund is what I'm trying to say. Another area that Mr. Gibbs and I have spoke about a little bit, I would like the committee to look at our Government Aid Fund. This was created in 1995 by state Statute 2-1208. This is a fund that was generated, you take a quarter of a percent of all exotic wagers in this state to help supplement purses at smaller tracks so they can keep solvent and run. I believe that is greatly over funded, or excuse me, overappropriated. Currently, there's \$180,000 budgeted in there. The last three years it's never been over \$157,000 actually distributed out. That's an in and out fund, the money is sent in, the money is sent right out to the tracks. Another area to look at, if cash has to be taken from our agency, I would ask that you look at just our operating budget, which is

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\$884,000, instead of basing on the cash fund being taken from our total budgeted amount of \$1,064,000. That \$1,064,000 includes the earlier mentioned \$180,000. If funds are taken away from the commission cash funds, I believe, we'll have to do substantial layoffs. Instead of having the steward at a part-time job in the summer, he'd be furloughed. The vet would have to be furloughed. I'll finish up here real quick for you. I just feel that if we...we would also have to take away drug testing. Drug testing is very important to maintain the integrity. I feel if we lose the integrity of racing there won't be our horse players at all there. We want to maintain a high level. As the gentleman earlier, Mr. Jackson indicated his agency, as times get tougher, people like to cheat. I'd answer any questions you may have. [AGENCY 36]

SENATOR HEIDEMANN: Thanks for coming today, Tom. Are there any questions?
Senator Fulton. [AGENCY 36]

SENATOR FULTON: Thank you, Mr. Chairman. How many FTE are in your agency?
[AGENCY 36]

TOM SAGE: We are budgeted, I believe, at 9 FTE, we're usually around 6.4. [AGENCY 36]

SENATOR FULTON: And you mentioned that you would be willing to accept a greater decrease in General Funds in lieu of cash funds. [AGENCY 36]

TOM SAGE: We get no General Funds. [AGENCY 36]

SENATOR FULTON: Okay. What can...what does that reference to? Did I misunderstand? [AGENCY 36]

TOM SAGE: What I'm saying is if we are cutting our budget by 2.5 and 5 percent respectively, no problem. Just don't take our cash fund. [AGENCY 36]

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SENATOR FULTON: Okay. All right, thank you. [AGENCY 36]

SENATOR HEIDEMANN: Senator Nelson, did you have a question? [AGENCY 36]

SENATOR NELSON: No, I didn't. Thank you. [AGENCY 16]

SENATOR HEIDEMANN: Are there any other questions? [AGENCY 36]

TOM SAGE: Thank you. [AGENCY 36]

SENATOR HEIDEMANN: Is there anyone else wishing to testify on Agency 36? Seeing none, we will close the public hearing on Agency 36 and open up the public hearing on Agency 58, the Board of Engineers and Architects. [AGENCY 36 AGENCY 58]

MELINDA PEARSON: (Exhibit 20) Good afternoon, senators. Melinda Pearson, P-e-a-r-s-o-n. I am the executive director for the Nebraska Board of Engineers and Architects. We also staff and provide administrative support to the Board of Landscape Architects and the geologists. But they will speaking for themselves today. I'm sending around a letter. The Engineers and Architects Board is not atypical. It's a small cash funded agency. We have 7 FTEs. It's all cash funded by our licensees. The difference in the engineers and architects is that there has been some precedent in the past where some state agencies, the Board of Engineers in Missouri was levied fines and attorney fees in the amount of \$400,000 in 1981, when the Hyatt Regency collapsed. Today's figures that's about \$1 million. The Board of Engineers and the Board of Architects is sort of an unusual agency where they have a tendency to be sued in major building collapses. So it's been important and the boards had a policy to maintain two times the annual budget for their cash fund. In the last few years we have been reducing that. One of the ways we did in the May strategic plan was to, at the Governor's urging, to sort of help reduce the impact to Nebraskans was to reduce licensing fees by \$10 year

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per licensee. It seems pretty small but we've heard from our licensees that it was greatly appreciated, particularly those who are underemployed or unemployed. That was not taken into account on the cash reduction. So that's what I'm here to ask...to talk to you today. The board has no problems with the 2.5 percent and the 5 percent reductions over these next fiscal years. We do ask that the \$190,000 that's coming out of the cash fund be reduced by that \$80,000, which is the \$40,000 this year and the \$40,000 next year reduction in our revenue. Because those will come directly out of our cash funds. So \$40,000 this year in reduced revenue from our fee reduction, and \$40,000 next year because we have a biennial renewal. And those were projected to come out of our cash fund. And then so...so for the \$190,000 we're asking that that be reduced by \$80,000 to the tune of \$110,791. I hope that was clear and I would be glad to answer any questions. [AGENCY 58]

SENATOR HEIDEMANN: Thank you. You laid it out pretty well, actually. [AGENCY 58]

MELINDA PEARSON: Thank you. [AGENCY 58]

SENATOR HEIDEMANN: Senator Fulton, did you have... [AGENCY 58]

SENATOR FULTON: Thank you for being here. [AGENCY 58]

MELINDA PEARSON: Yes, thank you. [AGENCY 58]

SENATOR HEIDEMANN: Is there anyone else wishing to testify on Agency 58? Seeing none, we'll close up the public hearing on Agency 58, open up the public hearing on Agency 73, the Board of Landscape Architects. Welcome. [AGENCY 58 AGENCY 73]

DENNIS BRYERS: (Exhibit 21) Good afternoon, senators. My name is Dennis Bryers, that's Bryers is B-r-y-e-r-s. I am a licensed landscape architect in Nebraska. I'm also the chair of the Nebraska State Board of Landscape Architects. And I thank you for giving

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me time to talk to you today. We do have a...our board, just to give you a little background, is a small board. There are about 93, 95 licensed landscape architects in the state of Nebraska. We're not large enough to have our own full-time staff, though we actually have a memorandum of understanding, as Melinda mentioned just earlier, with the Engineers and Architects Board who oversee the daily operations of our board. The Nebraska State Board of Landscape Architects was created back by the passage of the Professional Landscape Architectures Act in 1967, to regulate the practice and profession of landscape architecture in the state, in order to protect the health, safety and welfare of the general public. It remains the board's first priority as it continues its oversight and licensure and regulation of the professional landscape architects in Nebraska. The board itself...is a self-funded agency, operating solely from a cash fund derived from fees collected for the application and licensure of landscape architects. We get no General Funds at all. There are no taxpayer dollars used in the operation of our board. We're very fiscally conservative and all of our members on the board serve without any form of reimbursement of any kind or any compensation, and that includes our travel time when we are traveling back and forth for our four board meetings a year, here in Lincoln. It's something that...the way we feel, we just want to give back to our profession in how we run the board. The recommendation before you from the Governor, of course, is that would take two fiscal year budget reductions directly from our board's cash amount. While this are not large amounts for us, to a small board they still will have an effect, a big effect on our budget. If the recommendation goes through, we will be looking to reduce some expenditures that the board has, possibly even reducing the number of meetings. We meet from four to three a year, if that will help. But I doubt that will also make up some of the lost funds that we'll have. And since we were charged by the Unicameral to regulate the profession and practice of landscape architecture in the state, most likely the only way we could continue to meet the charge of the board would be to raise our licensing fees again. And while we probably would be doing that in a few years as expenses go up, again we pay the Engineers and Architects Board a fee to administer our board, plus we have national dues that we pay to our national organization for licensure, those do keep going up. Our current fees are

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\$170 for landscape architects in the state. And most likely we would look at raising those fees earlier than planned. I just want to thank you for the time here. I'm here for any questions you might have on the board. [AGENCY 73]

SENATOR HEIDEMANN: Are there any questions? Senator Hansen. [AGENCY 73]

SENATOR HANSEN: Just one comment. It's not finished until it's landscaped. (Laugh)
Thank you. [AGENCY 73]

DENNIS BRYERS: Thank you. [AGENCY 73]

SENATOR HEIDEMANN: Any other questions? Senator Nelson. [AGENCY 73]

SENATOR NELSON: I just have the question, if you're so small and you have oversight from the Board of Engineers and Architects, why don't you combine those? Can you give me the reasons why you are separate? Is it because nationally you are a separate outfit? [AGENCY 73]

DENNIS BRYERS: In '67, the board was set up separately. Before I joined the board, I think it was in 1997, there was some talk and discussions about combining the Landscape Architecture Board, the Engineers and Architects Board, and also the Geologist's Board, I believe. There were discussions. In the end, there were some difficulties, I guess. As I said, I wasn't on the board at that time, although I was living in the state. So at that point it was decided that the boards would go their separate ways. There has been talk off and on since then about maybe trying to have a combined board. It's something that our board is always open to and I think the other boards are, too, if the right combination, the right setup can be done. Right now... [AGENCY 73]

SENATOR NELSON: Proper representation and.... [AGENCY 73]

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DENNIS BRYERS: Yes, there are a lot of issues. [AGENCY 73]

SENATOR NELSON: Okay. Thank you. [AGENCY 73]

DENNIS BRYERS: You're welcome. [AGENCY 73]

SENATOR HEIDEMANN: You might have stated it, but I think you might have missed it. How many landscape architects are there in the state of Nebraska? [AGENCY 73]

DENNIS BRYERS: Registered within the state, there are 93 or 95, I don't remember the exact number at the moment. It does fluctuate, about half, roughly half to three-quarters of those people are actually residents of Nebraska. The remaining are landscape architects who live outside the state but need to be licensed in order to practice in the state. [AGENCY 73]

SENATOR HEIDEMANN: Okay. Are there any other questions? Seeing none, thank you, [AGENCY 73]

DENNIS BRYERS: Thank you. [AGENCY 73]

SENATOR HEIDEMANN: (Exhibits 22-26) Is there anyone else wishing to testify on Agency 73? Seeing none, we'll close up the public hearing on Agency 73 and open up the public hearing on Agency 59, the Board of Geologists. They did send a letter in stating their position and that we understand they will not be here. Is there anyone else wishing to testify on Agency 59? Seeing none, we will close up the public hearing on Agency 59. That's it today. [AGENCY 73 AGENCY 59]